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STATE OF MONTANA

DEPARTMENT OF LABOR AND INDUSTRY
EMPLOYMENT SECURITY DIVISION

Report on the Examination of the Financial Statements
Quarter Ended September 30, 1977
and the Fiscal Years Ended
September 30, 1978, 1979, and 1980

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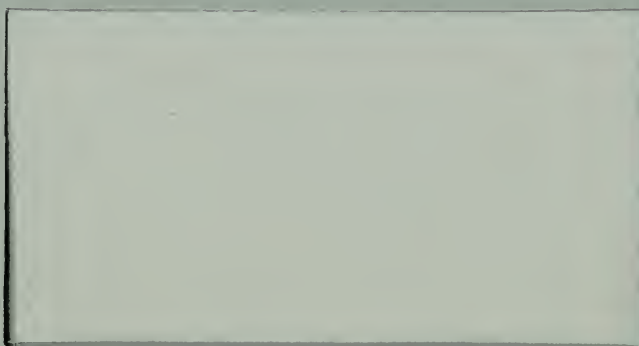


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STATE OF MONTANA

DEPARTMENT OF LABOR AND INDUSTRY
EMPLOYMENT SECURITY DIVISION

Report on the Examination of the Financial Statements
Quarter Ended September 30, 1977
and the Fiscal Years Ended
September 30, 1978, 1979, and 1980

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ADMINISTRATIVE OFFICIALS

DEPARTMENT OF LABOR AND INDUSTRY

David Fuller	Commissioner (Term Expired March 4, 1981)
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David Hunter	Commissioner
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EMPLOYMENT SECURITY DIVISION

Fred Barrett	Administrator
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Chester C. Rusek	Deputy Administrator Administrative Services
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H. E. Waltermire	Deputy Administrator Employment Services
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Harold Kansier	Deputy Administrator Unemployment Insurance
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SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply thereto and also as a ready reference to the supporting comments. The full reply of the Employment Security Division is included in the back of this report.

	<u>Page</u>
1A Reevaluate the cross-match selection criteria.	8
<u>Agency Reply:</u> Concur. See page 60.	
1B Implement follow-up procedures to investigate selected potential fraud cases.	8
<u>Agency Reply:</u> Concur. See page 60.	
2 Implement procedures to include interstate claimants in the current cross-match.	10
<u>Agency Reply:</u> Concur. See page 60.	
3 Seek legislative clarification of the eligibility determination statute.	10
<u>Agency Reply:</u> Concur. See page 60.	
4A Properly charge the benefit program the claimant is eligible for.	11
<u>Agency Reply:</u> Concur. See page 60.	
4B Retroactively adjust payments which were made prior to the revised monetary determination to reflect the proper programs to be charged.	12
<u>Agency Reply:</u> Concur. See page 60.	
4C Review monetary determination revisions to ensure that appropriate program changes are made.	12
<u>Agency Reply:</u> Concur. See page 60.	

SUMMARY OF RECOMMENDATIONS (Continued)

	<u>Page</u>
5 Issue benefit checks only upon receiving a certified and qualified UI-203 pay-card.	12
<u>Agency Reply:</u> Concur. See page 60.	
6 Maintain a number control and accountability system for checks being processed.	13
<u>Agency Reply:</u> Concur. See page 60.	
7A Limit access to data files and programs to those individuals authorized to maintain them.	15
<u>Agency Reply:</u> Concur. See page 60.	
7B Develop and maintain adequate documentation, including user manuals, for systems currently in production and for all new systems.	15
<u>Agency Reply:</u> Concur. See page 60.	
8A Establish and test a disaster recovery plan that would insure timely reestablishment of ESD operations after a system disaster.	16
<u>Agency Reply:</u> Partially concur. See page 61.	
8B Establish adequate review procedures to ensure compliance with computer record retention schedules.	16
<u>Agency Reply:</u> Concur. See page 61.	
9A Maintain a log of movement of blank checks.	17
<u>Agency Reply:</u> Concur. See page 61.	
9B Require persons receiving printed checks from the I/O controller to sign for them.	17
<u>Agency Reply:</u> Concur. See page 61.	

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	<u>Page</u>
10 Design controls in the employer contribution system to ensure input to the system is correctly processed.	18
<u>Agency Reply:</u> Concur. See page 61.	
11 Update the cost accounting system to reflect the current system each time modifications are made.	19
<u>Agency Reply:</u> Partially concur. See page 61.	
12 Establish adequate controls in the benefits application to ensure that all errors are corrected and resubmitted.	20
<u>Agency Reply:</u> Concur. See page 61.	
13 Obtain written authorization from the U.S. Department of Labor for all transfers of expenses between project codes.	20
<u>Agency Reply:</u> Concur. See page 61.	
14A Provide adequate training and supervision to enable employees to perform effectively.	22
<u>Agency Reply:</u> Partially concur. See page 62.	
14B Properly record combined wages claim receivables on SESA.	22
<u>Agency Reply:</u> Partially concur. See page 62.	
14C Transfer all accounts receivable identified as uncollectible to the Department of Revenue.	22
<u>Agency Reply:</u> Partially concur. See page 62.	
15 Implement procedures to correct the above weaknesses.	23
<u>Agency Reply:</u> Concur. See page 62.	

COMMENTS

GENERAL

We performed a financial compliance audit of the Employment Security Division (ESD) of the Department of Labor and Industry for the quarter ended September 30, 1977 and the three federal fiscal years ended September 30, 1978, 1979 and 1980. The objectives of the audit were to: (1) determine if the division's financial statements present fairly the financial position of the division for the quarter ended September 30, 1977 and three fiscal years ended September 30, 1980; (2) determine division compliance with applicable state and federal rules and regulations; and (3) make recommendations for improving division management and internal controls.

ESD is financed from tax contributions made by Montana employers and money received from the federal government. The division spent \$65,519,900 during fiscal year 1977-78, \$62,897,500 during fiscal year 1978-79 and \$69,951,200 during fiscal year 1979-80 for unemployment benefits, administration, and employment service programs.

ESD is comprised of three bureaus: the Unemployment Insurance Bureau handles unemployment benefit payments and the unemployment trust fund; the Employment Service Bureau handles job service, job referral, testing and counseling, and training programs; and the Administrative Services Bureau performs service functions for the other bureaus. Each bureau is headed by a deputy administrator. The division administrator is appointed by the Commissioner of Labor and Industry.

Chapter 349 of the 1981 Session Laws abolishes the statutory reference to the Employment Security Division effective October 1, 1981. The programs administered by the division will continue to exist within the Department of Labor and Industry.

We thank the ESD staff for their cooperation and assistance during our audit.

BACKGROUND

State Employment Security Agency Accounting System

The U.S. Department of Labor requires that all state employment security agencies submit reports produced by the federally sponsored State Employment Security Agency (SESA) accounting system. In addition, ESD is required by state statute to record the division's financial transactions on the Statewide Budgeting and Accounting System (SBAS). An inherent problem with this double recording system is that the federal fiscal year ends September 30, while the state fiscal year ends June 30.

ESD's transaction detail is reported primarily on the SESA accounting system with daily or monthly totals recorded on SBAS. Administrative expenditures transaction detail is reported on SBAS and on SESA. We audited the transaction detail on both systems and reconciled the detail to the totals reported on the other system. In this way, we assured ourselves that both systems were showing the same activity. Because the SESA accounting system closes on September 30, the financial statements and schedules presented are based on the federal fiscal year.

Although the SESA system does not provide information in generally accepted accounting principles financial statement format,

ESD personnel were able to prepare financial statements in the proper format.

Duplication of Systems

As we recommended in the previous audit report for fiscal years 1976 and 1977, a study was made of the accounting and warrant writing systems to consider consolidation with SBAS and the State Auditor's warrant writing function.

The studies determined that neither the SESA nor the SBAS accounting systems have the capability of producing reports to satisfy both the federal government and the state legislature. It was also determined that use of the State Auditor to produce benefit warrants would result in an unacceptable time lag for processing an initial benefit claim. ESD's processing time schedule leaves only about one day to issue warrants once the payment is approved. The additional one or two days it would take the auditor to issue the warrants would put ESD over the 14 day processing limit imposed by the federal government.

Trust Fund

Montana employers pay an unemployment insurance tax on wages paid to an employee during the calendar year. Unemployment insurance taxes were paid on the first \$7,600 of an employee's wages during calendar year 1980. ESD collects the tax and transfers the funds to a trust fund account in the U.S. Treasury system. Money is withdrawn from the trust fund account as unemployment benefits are paid.

The unemployment insurance tax rate charged to an employer may vary each calendar year. Two factors are involved in determining the tax rate charged. The first is the employer's experience rating. The experience rating is based on an employer's actual experience in the payment of contributions and benefits charged against his account. The second relates to the schedule of rates assigned to the calendar year. The schedule assigned is based on the ratio of the trust fund balance to total covered wages of the previous 12-month period.

If Montana's trust account becomes temporarily insolvent, ESD can borrow from the federal trust fund pool. The Employment Security Division had an outstanding loan of \$9,284,089 from the Unemployment Trust Fund in the U.S. Treasury as of June 30, 1977. As of September 30, 1980, the loan balance was \$7,084,089. The division repaid the loan in November of 1980.

The following schedule shows the Unemployment Trust Fund balance at fiscal years ended September 30, 1977, 1978, 1979, and 1980. The increase in the trust fund balance is largely caused by an overall increase in wages paid in Montana and increases in the wage base from \$4,800 in fiscal year 1977 to \$6,000 in fiscal year 1978, \$7,400 in fiscal year 1979 and \$7,600 in fiscal year 1980.

	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>	<u>FY 1980</u>
Cash	\$ 7,852,869	\$13,138,380	\$21,809,314	\$26,538,134
Less: Loan				
Outstanding	<u>(9,284,089)</u>	<u>10,484,089</u>	<u>10,484,089</u>	<u>(7,084,089)</u>
Account Balance				
(deficit) surplus	<u>\$(1,431,220)</u>	<u>\$ 2,654,291</u>	<u>\$11,325,225</u>	<u>\$19,454,045</u>

PRIOR REPORT RECOMMENDATIONS

Our previous audit report for ESD was issued for state fiscal years 1975-76 and 1976-77. Of the 107 prior report recommendations still applicable to the division's operations, ESD has implemented or partially implemented 75 and not implemented 30. Of the 30 recommendations not implemented, the division does not concur with 10. The applicable recommendations which have not been implemented are discussed in appropriate sections of this report.

QUESTIONED COSTS

During our audit of ESD we identified some program costs which we considered questionable. Included in these costs are several instances where ESD overobligated the federal obligational (spending) authority. ESD personnel indicated that these programs received additional obligational authority subsequent to year-end. In our audit we verified that the additional authority was obtained in all instances. Although the additional authority was forthcoming, we question the legitimacy of obligating funds without existing obligational authority.

INTERNAL CONTROL

As part of our examination, we made a study and evaluation of the department's system of internal accounting control to establish a basis for reliance thereon in determining the nature, timing, and extent of other auditing procedures necessary for expressing an opinion on the financial statements and to assist in planning and performing our examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

Our examination would not necessarily disclose all weaknesses in the system of internal accounting control because it was based upon selective tests of accounting records and related data. However, our study and evaluation disclosed two conditions which we believe to be material weaknesses in the internal accounting controls. A material weakness is a condition in which the prescribed procedures or the degree of compliance with them does not provide reasonable assurance that errors or irregularities in amounts that would be material in the financial statements would be prevented or detected within a timely period by employees in the normal course of performing their assigned functions. We discuss these weaknesses relating to the access controls over the EDP operations and the lack of controls in the contributions system on pages 12 through 15 of this report.

In addition to the above mentioned conditions, we identified other conditions during the audit, which, although not material, are significant and warrant management's attention. These conditions are described in various sections of this report.

ESD FRAUD CONTROL PROGRAM

The number of claimants selected as potential fraud cases through the quarterly cross-match has increased over the last four years. ESD has consistently used the same selection criteria to identify potential fraud cases. The criteria is based upon the number of benefit checks a claimant receives and the wages an employer reports a claimant received during the quarter. The division has not revised the wage based selection criteria in the past four years even though average wages have increased. By comparing the first quarter cross-matches of 1978 and 1980 we found the total number of claimants with wages increased 6,250 (25 percent), while the number identified as potential fraud cases increased 4,432 (60 percent).

For each claimant identified in the cross-match ESD sends a letter to the employer requesting them to indicate the dates the claimant worked for them during the quarter and the weekly amount paid to the claimant. No follow-up or second request is sent when the employer does not return the letter. Therefore, a number of possible conflict cases are not being investigated. When an employer realizes ESD does not follow-up, their opinion that the letter is not important is reinforced and future requests may not be returned.

ESD personnel stated that they receive a response to approximately 75 percent of the letters sent to employers. Because of the time involved in following up and processing the responses received, the division has not established follow-up procedures for no-response letters. Also, by the time they finish processing the

letters that come in for one quarter's cross-match, it is time to start on the next cross-match.

For example, in one quarter's cross-match ESD selected 11,432 claimants (39 percent of the claimants with wages) as potential fraud cases. Fraud unit personnel had to follow up on approximately 8,500 employer responses. Of the 11,432 cases identified that quarter only 323 (2.8 percent) were referred to prosecuting authorities. Fraud cases must be filed with prosecuting authorities within one year of the date of offense.

If ESD revised its selection criteria, fewer claimants would be selected. The time saved in processing a reduced number of cases would allow more time for follow-up on all potential fraud cases. It may be possible for ESD to identify and prosecute more significant fraud cases if fewer cases were selected in the cross-match.

In one instance an employer did not respond to ESD's request and we noted that the claimant had been working full time for this employer and was not eligible for unemployment benefits. This fraud case would have been identified if the division had follow-up procedures on unreturned wage information requests.

RECOMMENDATION #1

WE RECOMMEND THE DIVISION:

- A. REEVALUATE THE CROSS-MATCH SELECTION CRITERIA.
- B. IMPLEMENT FOLLOW-UP PROCEDURES TO INVESTIGATE SELECTED POTENTIAL FRAUD CASES.

INTERSTATE CLAIMS INVESTIGATION

Information concerning interstate claimants drawing benefits paid by other states is maintained at the local offices. There is no record of these claims in the central office. Therefore, they are not included in the quarterly cross-match performed by ESD. Part V Section 5678 of the Employment Security Manual states, "The following should be adopted as a minimum fraud investigation program for interstate benefits . . .

- D. A sample check should be conducted at least once every year to determine whether any claimants are concurrently drawing benefits from the agent state and some liable state."

Because there is no record of interstate claimants at the central office, two types of benefit overpayment may occur and go undetected. The first type is where a claimant can draw benefits from another state while employed in Montana. In these cases, the central office would have a record of the claimant's Montana wages from the employer's quarterly reports but would have no record of benefits the claimant received from another state.

In the second type a claimant could file for interstate benefits in one local office and file for Montana benefits in a different office. Assuming an eligible claimant had enough wage credits in each state, he could draw benefits from both.

If the central office had the social security numbers for these claimants and information concerning the number of checks the claimant received, frauds of this nature could be detected with minimal additional effort under ESD cross-match procedures.

RECOMMENDATION #2

WE RECOMMEND THE DIVISION IMPLEMENT PROCEDURES TO INCLUDE INTERSTATE CLAIMANTS IN THE CURRENT CROSS-MATCH.

ELIGIBILITY DETERMINATIONS

Section 39-51-2105, MCA, states, "(1) To qualify as an insured worker an individual must have been paid wages for insured work in the quarters of his base period an amount totaling not less than one and one-half times his base period high quarter wages. (2) On and after July 1, 1980, to qualify for benefits, an individual must have had at least 20 weeks of work with an average of \$50 per week in subject employment in the base period. To qualify for benefits, the total base period wages must be \$1,000 or more." Subsequent to July 1, 1980, the monetary determination program has not used the first requirement in determining eligibility.

ESD personnel have indicated that subsequent to July 1, 1980 the first criteria is no longer applicable. The current law is unclear about whether the second requirement was adopted to replace the first requirement or become an additional eligibility requirement. ESD should seek legislative clarification of the statute.

RECOMMENDATION #3

WE RECOMMEND THE DIVISION SEEK LEGISLATIVE CLARIFICATION OF THE ELIGIBILITY DETERMINATION STATUTE.

MONETARY REVISIONS

ESD makes unemployment benefit payments from the Montana Unemployment Trust Fund and several federally funded unemployment programs. Federal programs include unemployment coverage for postal employees and extended benefit payments to eligible claimants. When an unemployment claim is received by ESD, a monetary determination is made and the appropriate program (either state or federal) is charged for subsequent benefit payments.

During our testing, we noted three claimants with revised monetary determinations which changed the programs (or the percentage chargeable) for which they were eligible. In these cases, the programs were charged based on the initial determination. The division recomputed the charges based on the revised determination, but did not correctly charge the programs involved.

The division revises a claimant's initial monetary determination when informed of a change in base period wages. These additional wages may qualify a claimant for more than one type of benefit. In these cases, the division should charge each benefit program in the proportion of the applicable programs' base period wages to total base period wages. When a revision is made after checks have been issued, the department should adjust previous payments to reflect correct charges to the appropriate programs.

RECOMMENDATION #4

WE RECOMMEND THE DIVISION:

- A. PROPERLY CHARGE THE BENEFIT PROGRAM THE CLAIMANT IS ELIGIBLE FOR.

- B. RETROACTIVELY ADJUST PAYMENTS WHICH WERE MADE PRIOR TO THE REVISED MONETARY DETERMINATION TO REFLECT THE PROPER PROGRAMS TO BE CHARGED.
- C. REVIEW MONETARY DETERMINATION REVISIONS TO ENSURE THAT APPROPRIATE PROGRAM CHANGES ARE MADE.

INCOMPLETE AND UNSIGNED UI-203 PAYCARDS

During our review of UI-203 paycards, we found 9 out of 84 paycards tested were incomplete and not signed by either the claimant or the claimstaker. The ESD Operations Manual states, "a benefit check is issued only upon the authority of a certified and qualified UI-203." Under policy established by ESD a certified and qualified UI-203 is one which has been signed by both the claimant and the claimstaker. The UI-203 card submitted by a claimant evidences the report of a week of unemployment and is a source document to produce a benefit check for the claimant. By not following established policy, benefit payments are being made without proper authorization.

RECOMMENDATION #5

WE RECOMMEND THE DIVISION ISSUE BENEFIT CHECKS ONLY UPON RECEIVING A CERTIFIED AND QUALIFIED UI-203 PAYCARD.

CONTROL OF PREPARED CHECKS

In our review of benefit checks, we noted that the division does not reconcile the number of checks written to the number of checks mailed each day. Differences result from checks which are pulled to apply against overpayments, to be voided, or because of a stop-pay in the system.

To ensure adequate control over checks issued, ESD should make counts each time a new section assumes control over the checks and should reconcile any differences. This provides a record of the checks, identifies if checks were misplaced, and facilitates locating missing checks. Authorization for pulling a check is filed in the claimants file. ESD should record the check numbers of the checks pulled to provide a trail to trace to the authorization.

RECOMMENDATION #6

WE RECOMMEND THE DIVISION MAINTAIN A NUMBER CONTROL AND ACCOUNTABILITY SYSTEM FOR CHECKS BEING PROCESSED.

DATA PROCESSING

ESD maintains a data processing section in the Administrative Services Bureau. The data processing section is comprised of three units: (1) Systems and Programming; (2) Production/Operations; and (3) Data Entry. A Remote Job Entry (RJE) station is located at ESD with most processing done at the Department of Administration's central facility. ESD also has two small business computers.

Controls in computer systems are divided into the two main categories of (1) general controls, relating to all data processing, and (2) application controls, relating to a specific computer application. We performed a review of general controls and application controls relating to the Cost Accounting System, UI Benefits, and Check Writing Systems. In our review we identified the following internal control weaknesses.

General Controls

Access

Access to ESD programs and on-line data files is not adequately restricted to authorized personnel. Proper access controls assist in the prevention or detection of deliberate or accidental errors caused by improper use or manipulation of data files, unauthorized or incorrect use of a computer program, and/or improper use of computer resources. Access to programs and data files should be limited to those individuals authorized to process or maintain particular systems.

Documentation

Documentation for the UI Benefits, Check Writing and Employer Contributions Systems is inadequate. Documentation is essential for quality assurance and reliable application controls. Training and maintenance also require documentation. System manuals should be maintained by programmers including detailed systems and program flow charts, program descriptions and data file structures.

Currently ESD maintains no user manuals for the Benefits, Contributions and Check Writing Systems. User manuals should be developed to help train users to prepare and handle input transactions and error correction transactions properly. A typical user's manual may contain: a system narrative describing major control features, an overall system flowchart, detailed flowchart of clerical processes, a completed copy of each input document with preparation instructions, a listing of computerized edits performed, the resulting error messages, and instructions for correcting, resubmitting, and balancing the resubmitted items, and a copy of each computer report with a description of its purpose, distribution and retention periods.

User sections are primarily responsible for their applications. However, it is very difficult to maintain control of a system without adequate access controls and documentation.

RECOMMENDATION #7

WE RECOMMEND THE DIVISION:

- A. LIMIT ACCESS TO DATA FILES AND PROGRAMS TO THOSE INDIVIDUALS AUTHORIZED TO MAINTAIN THEM.
- B. DEVELOP AND MAINTAIN ADEQUATE DOCUMENTATION, INCLUDING USER MANUALS, FOR SYSTEMS CURRENTLY IN PRODUCTION AND FOR ALL NEW SYSTEMS.

Disaster Backup and Recovery

ESD has not developed disaster recovery and reconstruction plans and procedures. There is no documentation of records retention policies or review to ensure that records are properly

retained. Two magnetic tapes containing nearly one million transactions from benefit history files were lost during our audit period. ESD does maintain this information on microfiche. However, it is cost prohibitive for ESD to recreate the magnetic tapes for use in statistical and analytical reporting.

A disaster backup and recovery plan is important at ESD because of the volume of benefit eligibility determinations and payments. ESD should develop and test a plan for alternate processing in case of disaster at the RJE station or the central data processing center at the Department of Administration. A disaster plan should include off premises storage of important files, programs and documentation, a formal records retention plan, and protection of hardware and software against fire and other hazards. Currently, there are no fire detection devices in the division's computer room. This computer room houses the RJE station, data entry control unit, two small business computers and unit record equipment.

RECOMMENDATION #8

WE RECOMMEND THE DIVISION:

- A. ESTABLISH AND TEST A DISASTER RECOVERY PLAN THAT WOULD INSURE TIMELY REESTABLISHMENT OF ESD OPERATIONS AFTER A SYSTEM DISASTER.
- B. ESTABLISH ADEQUATE REVIEW PROCEDURES TO ENSURE COMPLIANCE WITH COMPUTER RECORD RETENTION SCHEDULES.

Controls Over Checks

In our review of the two check writing systems (UI Benefits and CETA/WIN) we noted the following weaknesses in controls over checks.

There is no check movement log to account for all prenumbered CETA/WIN checks signed out of the supply room. Partial boxes of blank CETA/WIN checks are kept in the computer room. Unused blank checks should be returned to the supply room or locked up in the computer room each day. A log should be kept as a control over checks to avoid loss or theft.

Printed checks for UI Benefits and CETA/WIN are not signed for by the person who picks them up from the input/output (I/O) controller. Signing for the checks improves internal control by fixing responsibility and providing a complete record of check movement.

RECOMMENDATION #9

WE RECOMMEND THE DIVISION:

- A. MAINTAIN A LOG OF MOVEMENT OF BLANK CHECKS.
- B. REQUIRE PERSONS RECEIVING PRINTED CHECKS FROM THE I/O CONTROLLER TO SIGN FOR THEM.

Employer Tax Contributions System

Controls to prevent or detect processing errors in the employer contributions system are not adequate to compensate for the general control weaknesses in access and documentation noted on page 12. This condition is a material weakness in the system of accounting control over employer contributions.

We found that data files are not secure from unauthorized changes and the programs do not contain logic tests to detect erroneous processing. The verification of run-to-run totals and limit and reasonableness checks are types of processing controls that should be incorporated into the employer contribution system. Processing controls are both manual and contained within programs.

Manual controls, such as the comparison of total transactions (or dollars) input to total transactions (or dollars) processed could be implemented by the division to improve controls in the employer contributions system. Also, a variety of logic tests may be incorporated into the system programs to verify the contents and relationships of records during the processing cycle.

RECOMMENDATION #10

WE RECOMMEND THE DIVISION DESIGN CONTROLS IN THE EMPLOYER CONTRIBUTION SYSTEM TO ENSURE INPUT TO THE SYSTEM IS CORRECTLY PROCESSED.

Cost Accounting System

The cost accounting system utilized by ESD is developed, updated and mandated by the U.S. Department of Labor. The fiscal section in the Administrative Services Bureau is the user of this system.

Documentation

The federally developed system documentation has not been updated to reflect changes made by the division. When a program is modified, new documentation should be generated. Also, all

changes should be accompanied by documented user and technical approvals. Without up-to-date documentation, changes in programming personnel could result in loss of information concerning system design. In these cases, new employees may not be able to understand (or determine) how undocumented changes are affecting the system. As a result, it would be difficult to modify or make additional program changes.

RECOMMENDATION #11

WE RECOMMEND THE DIVISION UPDATE THE COST ACCOUNTING SYSTEM DOCUMENTATION TO REFLECT THE CURRENT SYSTEM EACH TIME MODIFICATIONS ARE MADE.

Benefits System

Error Correction Procedures

Procedures for handling errors identified by the Benefits System or by personnel in the Benefits Section do not provide adequate controls to ensure that all errors are corrected and resubmitted.

Approximately 8,000 benefit checks were written each week to pay \$46 million in benefits during fiscal year 1980. Because of the large number of checks and dollar amount involved the importance of the benefit eligibility determination and check writing systems is emphasized. Therefore, a high degree of control must be applied to ensure that output error reports are distributed to the proper employees for corrective action. Throughout the processing of error corrections it is important that documentation and procedures

provide for ease in identifying and categorizing types of errors and fixing responsibility for correction and future elimination of errors. As previously noted, a user manual is helpful in defining the necessary procedures.

RECOMMENDATION #12

WE RECOMMEND THE DIVISION ESTABLISH ADEQUATE CONTROLS IN THE BENEFITS APPLICATION TO ENSURE THAT ALL ERRORS ARE CORRECTED AND RESUBMITTED.

EXPENSE ALLOCATION

ESD officials were unable to provide us with written documentation for transfers of expenses between programs in six instances (see page 41 for Schedule of Questioned Costs). ESD informed us that three of these transfers were made with verbal approval from the U.S. Department of Labor regional office. Written authorization is necessary to determine whether the division is in compliance with federal regulations. The U.S. Department of Labor recommends that written authorization be obtained for expense transfers. ESD should obtain written authorization from the U.S. Department of Labor when transferring expenses between program codes.

RECOMMENDATION #13

WE RECOMMEND THE DIVISION OBTAIN WRITTEN AUTHORIZATION FROM THE U.S. DEPARTMENT OF LABOR FOR ALL TRANSFERS OF EXPENSES BETWEEN PROJECT CODES.

ACCOUNTS RECEIVABLE

Combined Wage Claims

The combined wage claims receivable recorded on the SESA General Ledger is understated at September 30, 1980 by \$252,316. Combined wage claims receivables are benefits paid by Montana to employees who are eligible for benefits from other states.

The General Ledger has not agreed with the subsidiary records for at least four years. The subsidiary records, which are kept manually, reflect the amount of receivables due to ESD for the most recent quarter. A cumulative balance is not maintained. The employee in charge of the receivables could not explain why the General Ledger did not agree with the subsidiary records. He has not been properly trained or supervised with regard to the maintenance of accurate and complete receivable records.

Uncollectible Accounts

Employment Security and Unemployment Insurance overpayments are not turned over to the Department of Revenue as required by state law, when division collection efforts fail.

For Employment Security overpayments, which include allowance payments for the Work Incentive Program (WIN), Trade Readjustment Act (TRA), and Comprehensive Employment and Training Act (CETA) recipients, the collection process is a series of three letters requesting payment. If no payment is received after the third letter is sent no further action is taken. Division personnel indicated they have contacted the Department of Revenue to turn over these accounts but were informed they would not be accepted.

The Unemployment Insurance overpayments were being turned over to the Department of Revenue monthly until December 1979. Because the Contributions section considered turning over the UI overpayments, a low priority, the section discontinued the procedure.

Accounts receivable that are determined to be uncollectible by ESD should be turned over to the Department of Revenue in compliance with state law to assure that all reasonable effort is made to collect.

RECOMMENDATION #14

WE RECOMMEND THE DIVISION:

- A. PROVIDE ADEQUATE TRAINING AND SUPERVISION TO ENABLE EMPLOYEES TO PERFORM EFFECTIVELY.
- B. PROPERLY RECORD COMBINED WAGES CLAIM RECEIVABLES ON SESA.
- C. TRANSFER ALL ACCOUNTS RECEIVABLE IDENTIFIED AS UNCOLLECTIBLE TO THE DEPARTMENT OF REVENUE.

Other

We noted other problems related to accounts receivable that warrant management's consideration.

- 1. Subsidiary records are not maintained to support month and year-end General Ledger balances. Subsidiary records are updated every 6 weeks when billings are sent out.
- 2. The Contributions and UI Benefits accounts receivable General Ledger control accounts are changed periodically to agree to the subsidiary ledger. The General Ledger control accounts should be agreed to total accounts receivable transactions during the period to provide a means to detect and correct errors in the subsidiary ledger.

3. The UI Benefit accounts receivable contain accounts which are uncollectible. More than 30 percent of our UI Benefits confirmations were returned by the post office as undeliverable. The uncollectible accounts should be turned over to the Department of Revenue.
4. Accounts receivable receipts are held for up to a week while the documentation is being processed. Although the checks are restrictively endorsed, they should be deposited immediately to guard against loss.

RECOMMENDATION #15

WE RECOMMEND THE DIVISION IMPLEMENT PROCEDURES TO CORRECT THE ABOVE WEAKNESSES.

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Office of the Legislative Auditor



STATE CAPITOL
HELENA, MONTANA 59620
406/449-3122

JOHN W. NORTHEY
STAFF LEGAL COUNSEL

JAMES H. GILLET, C.P.A.
ACTING LEGISLATIVE AUDITOR

The Legislative Audit Committee of the Montana Legislature:

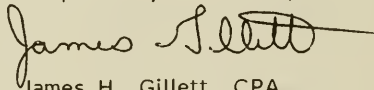
We have examined the Combined Balance Sheets of the General and Special Revenue Funds and the General Fixed Assets and General Long-Term Debt account groups of the Montana Employment Security Division of the Department of Labor and Industry as of September 30, 1980, and the Combined Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - of such funds for the quarter ended September 30, 1977 and the fiscal years ended September 30, 1978, September 30, 1979, and September 30, 1980. Our examination was made in accordance with generally accepted auditing standards, Standards for Audit of Governmental Organizations, Programs, Activities and Functions, and other appropriate audit guides as they apply to financial and compliance examinations, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the Comprehensive Employment and Training Act (CETA) revenues and allowance payments included in the Statements of Revenues, Expenditures, and Changes in Fund Balance. The revenues and allowance payments relating to CETA programs constitute 43 percent and 43 percent of the respective totals for fiscal year 1979-80, 54 percent and 48 percent for fiscal year 1978-79, 56 percent and 59 percent for fiscal year 1977-78, and 7 percent and 62 percent for the quarter ended September 30, 1977. CETA related revenues and expenditures for the quarter ended September 30, 1977 and fiscal years 1977-78 and 1978-79 were examined by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the programs described, is based solely upon the reports of the other auditors. Presently, these CETA programs are being audited for fiscal year 1979-80 by other auditors.

Because CETA activities were not included in the scope of our examination for the year ended September 30, 1980, we do not express an opinion on those amounts relating to CETA activities on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the year ended September 30, 1980.

In our opinion, based upon our examination and the reports of other auditors which relate to CETA activities for the period beginning July 1, 1977 and ending September 30, 1979, the Combined Balance Sheets for the various funds and account groups of the Employment Security Division as of September 30, 1980 and the Combined Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - with the exception of CETA activities for fiscal year ended September 30, 1980, which we did not audit (see paragraph 2 above), of such funds, present fairly the financial position of Employment Security Division at September 30, 1980, and the results of operations, and changes in fund balance for the quarter ended September 30, 1977 and fiscal years ended September 30, 1978, September 30, 1979, and September 30, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules presented on pages 42-58 are presented for purposes of additional analysis in compliance with federal requirements and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "James H. Gillett", with a long horizontal flourish extending to the right.

James H. Gillett, CPA
Acting Legislative Auditor

March 20, 1981

DEPARTMENT OF LABOR AND INDUSTRY
EMPLOYMENT SECURITY DIVISION
COMBINED BALANCE SHEETS - ALL FUND TYPES
SEPTEMBER 30, 1980

	<u>GOVERNMENTAL FUND TYPES</u>	
	<u>General Fund</u>	<u>Special Revenue</u>
<u>ASSETS</u>		
Cash in Non-Treasury Banks	\$1,299,644	\$ 217,808
Cash in U.S. Treasury		26,108,211
Employee Travel Advances	3,447	
Accounts Receivable:		
Employer Contributions		1,352,527
Employer Penalty & Interest		317,406
Allowance for Doubtful Accounts -		
Employers		(1,669,933)
Overpayments of Benefits	96,263	507,214
Allowance for Doubtful Accounts -		
Benefits	(96,263)	(507,214)
Notes Receivable - Reed Act		237,000
Prepaid Expenses	1,159	
Contract Advances	562,935	
Due from Funding Source	318,079	
TOTAL ASSETS	<u>\$2,185,264</u>	<u>\$26,563,019</u>
<u>LIABILITIES & FUND BALANCE</u>		
Cash Overdrawn		\$ 476,228
Due to Funding Source	\$1,024,947	216,458
Accrued:		
State Retirement Expense	15,780	
OASI Expense	15,681	
Workers' Comp Expense	502	
Group Insurance Expense	13,083	
Unemployment Tax Expense	2,308	
Payroll & Clearing Expense	256,844	
Accounts Payable:		
Vendors	293,184	
Employer Contributions		728,222
Due Funding Source for Contract		
Advances	562,935	
Payable to U.S. Treasury - Trust		
Fund Loan		7,084,089
Fund Balance		18,058,022
TOTAL LIABILITIES & FUND BALANCE	<u>\$2,185,264</u>	<u>\$26,563,019</u>

DEPARTMENT OF LABOR AND INDUSTRY
EMPLOYMENT SECURITY DIVISION
COMBINED BALANCE SHEET - ACCOUNT GROUPS
SEPTEMBER 30, 1980

		ACCOUNT GROUPS	
		General	General
		Fixed Assets	Long-Term Debt
<u>ASSETS</u>			
Land		\$ 461,827	
Land Improvements	\$ 4,958		
Less: Accumulated Depreciation, Land Improvement	<u>2,682</u>	2,276	
Buildings	2,850,789		
Less: Accumulated Depreciation, Buildings	<u>773,673</u>	2,077,116	
Office Furniture & Fixtures	355,874		
Less: Accumulated Depreciation, Furniture & Fixtures	<u>153,673</u>	202,201	
Office Equipment	930,611		
Less: Accumulated Depreciation, Office Equipment	<u>425,027</u>	505,584	
Other Equipment	191,124		
Less: Accumulated Depreciation, Other Equipment	<u>133,568</u>	57,556	
Bond Proceeds Available for Construction		1,230,000	
Amount to be Provided for Retirement of General Long-Term Debt			2,501,170
TOTAL ASSETS		<u>\$4,536,560</u>	<u>\$2,501,170</u>
<u>LIABILITIES & FUND EQUITY</u>			
Liabilities: General Obligation Bonds Payable			\$2,501,170
Fund Equity: Fund Investment		\$4,536,560	
TOTAL LIABILITIES & FUND EQUITY		<u>\$4,536,560</u>	<u>\$2,501,170</u>

DEPARTMENT OF LABOR AND INDUSTRY

EMPLOYMENT SECURITY DIVISION

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -

GENERAL AND SPECIAL REVENUE FUNDS

FOR FISCAL YEAR ENDING SEPTEMBER 1980

	GENERAL FUND			SPECIAL REVENUE FUND		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Federal Grants						
Federal Reimbursement for						
Unemployment Benefits				\$ 1,182,404	\$ 1,182,404	\$ -0-
State Unemployment Tax				44,701,912	44,701,912	-0-
Interest Earned				1,034,985	1,034,985	-0-
Miscellaneous Revenue	160,716	121,893	38,823			
TOTAL REVENUES	<u>31,754,045</u>	<u>29,221,864</u>	<u>2,532,181</u>	<u>46,919,301</u>	<u>46,919,301</u>	<u>-0-</u>
EXPENDITURES:						
General Administration	14,160,462	13,166,836	993,626			
Participant Allowance Pay.	11,512,867	10,407,704	1,105,163			
Federal Unemployment Benefits	5,920,000	5,525,431	394,569			
State Unemployment Benefits				40,729,390	40,729,390	-0-
Miscellaneous Expenditures						
for Services Provided	160,716	121,893	38,823			
TOTAL EXPENDITURES	<u>31,754,045</u>	<u>29,221,864</u>	<u>2,532,181</u>	<u>40,729,390</u>	<u>40,729,390</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES)						
Change in Accounting for						
Penalty and Interest (Note 11)				568,663	568,663	-0-
TOTAL OTHER FINANCING SOURCES				<u>568,663</u>	<u>568,663</u>	<u>-0-</u>
(USES)						
EXCESS OF REVENUE OVER						
(UNDER) EXPENDITURES	-0-	-0-	-0-	6,758,574	6,758,574	-0-
Fund Balances-October 1, 1979	-0-	-0-	-0-	11,299,449	11,299,449	-0-
Fund Balances-Sept. 30, 1980	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$18,058,023</u>	<u>\$18,058,023</u>	<u>\$ -0-</u>

DEPARTMENT OF LABOR AND INDUSTRY

EMPLOYMENT SECURITY DIVISION

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -

GENERAL AND SPECIAL REVENUE FUNDS

FOR FISCAL YEAR ENDING SEPTEMBER 1979

	GENERAL FUND			SPECIAL REVENUE FUND		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Federal Grants						
Federal Reimbursement for						
Unemployment Benefits						
State Unemployment Tax						
Interest Earned						
Miscellaneous Revenue						
TOTAL REVENUES	\$39,481,752	\$31,876,642	\$ (7,605,110)	\$ (6,521)	\$ (6,521)	\$-0-
				38,867,270	38,867,270	-0-
				219,239	219,239	-0-
	564,886	453,593	(111,293)			
	<u>40,046,638</u>	<u>32,330,235</u>	<u>(7,716,403)</u>	<u>39,079,988</u>	<u>39,079,988</u>	<u>-0-</u>
EXPENDITURES:						
General Administration						
Participant Allowance Pay.	12,907,575	12,273,055	634,520			
Federal Unemployment Benefits	21,251,473	14,480,801	6,770,672			
State Unemployment Benefits	5,322,704	5,122,786	199,918			
Miscellaneous Expenditures						
for Services Provided						
TOTAL EXPENDITURES	564,886	453,593	111,293	30,567,266	30,567,266	-0-
	<u>40,046,638</u>	<u>32,330,235</u>	<u>7,716,403</u>	<u>30,567,266</u>	<u>30,567,266</u>	<u>-0-</u>
EXCESS OF REVENUE OVER						
(UNDER) EXPENDITURES						
Fund Balances - October 1, 1978	-0-	-0-	-0-	8,512,722	8,512,722	-0-
Fund Balances - Sept. 30, 1979	-0-	-0-	-0-	2,786,727	2,786,727	-0-
	\$ -0-	\$ -0-	\$ -0-	\$11,299,449	\$11,299,449	\$-0-

DEPARTMENT OF LABOR AND INDUSTRY
EMPLOYMENT SECURITY DIVISION

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -

GENERAL AND SPECIAL REVENUE FUNDS
FOR FISCAL YEAR ENDING SEPTEMBER 1978

	<u>GENERAL FUND</u>			<u>SPECIAL REVENUE FUND</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:						
Federal Grants						
Federal Reimbursement for	\$38,193,051	\$36,333,797	\$(1,859,254)			
Unemployment Benefits				\$ 772,869	\$ 772,869	\$-0-
State Unemployment Tax				32,340,750	32,340,750	-0-
Interest Earned				7,827	7,827	-0-
Miscellaneous Revenue	446,513	355,425	(91,088)			
TOTAL REVENUES	<u>38,639,564</u>	<u>36,689,222</u>	<u>(1,950,342)</u>	<u>33,121,446</u>	<u>33,121,446</u>	<u>-0-</u>
EXPENDITURES:						
General Administration	11,812,595	11,219,037	593,558			
Participant Allowance Pay.	21,081,212	19,822,536	1,258,676			
Federal Unemployment Benefits	5,299,244	5,292,224	7,020			
State Unemployment Benefits				28,830,679	28,830,679	-0-
Miscellaneous Expenditures for						
Services Provided	446,513	355,425	91,088			
TOTAL EXPENDITURES	<u>38,639,564</u>	<u>36,689,222</u>	<u>1,950,342</u>	<u>28,830,679</u>	<u>28,830,679</u>	<u>-0-</u>
EXCESS OF REVENUE OVER						
(UNDER) EXPENDITURES	-0-	-0-	-0-	4,290,767	4,290,767	-0-
Fund Balances - October 1, 1977	-0-	-0-	-0-	(1,504,040)	(1,504,040)	-0-
Fund Balances - Sept. 30, 1978	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,786,727</u>	<u>\$ 2,786,727</u>	<u>\$-0-</u>

DEPARTMENT OF LABOR AND INDUSTRY
EMPLOYMENT SECURITY DIVISION
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL AND SPECIAL REVENUE FUNDS
QUARTER ENDING SEPTEMBER 30, 1977

	GENERAL FUND			SPECIAL REVENUE FUND		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:						
Federal Grants						
Federal Reimbursement for						
Unemployment Benefits						
State Unemployment Tax						
Interest Earned						
Miscellaneous Revenue	313,048	57,687	(255,361)			
TOTAL REVENUES	<u>7,963,146</u>	<u>8,033,123</u>	<u>69,977</u>	<u>\$ 637,708</u> <u>7,740,494</u> <u>28,011</u>	<u>\$ 637,708</u> <u>7,740,494</u> <u>28,011</u>	<u>\$-0-</u> <u>-0-</u> <u>-0-</u>
EXPENDITURES:						
General Administration	3,070,209	2,745,901	324,308			
Participant Allowance Pay.	3,937,666	4,587,312	(649,646)			
Federal Unemployment Benefits	642,223	642,223	-0-			
State Unemployment Benefits						
Miscellaneous Expenditures						
for Services Provided	313,048	57,687	255,361	5,719,213	5,719,213	-0-
TOTAL EXPENDITURES	<u>7,963,146</u>	<u>8,033,123</u>	<u>(69,977)</u>	<u>5,719,213</u>	<u>5,719,213</u>	<u>-0-</u>
EXCESS OF REVENUE OVER						
(UNDER) EXPENDITURES	-0-	-0-	-0-	2,687,000	2,687,000	-0-
Fund Balances - July 1, 1977	-0-	-0-	-0-	(4,191,041)	(4,191,041)	-0-
Fund Balances - Sept. 30, 1977	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$(1,504,041)</u>	<u>\$(1,504,041)</u>	<u>\$-0-</u>

EMPLOYMENT SECURITY DIVISION

Notes to the Financial Statements

Fiscal Year Ended September 30, 1980

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Description of Funds

The preceding financial statements were prepared from agency general ledgers maintained by ESD and not the Statewide Budgeting and Accounting System. These agency ledgers are used as the primary accounting records for ESD. The funds and account groups presented, their relationship to the state treasury fund structure, and their purposes are:

General Fund -- To account for receipt and expenditure of money allocated to ESD by the federal government for support of ESD programs and agency administration. Headings, account groups, and overall structure adhere to generally accepted accounting principles for government. "General Funds" used here is a standardization of terminology and in this instance has no relationship with "General Fund" as used in Montana state government. This fund corresponds to the federal and private revenue fund, the federal and private grant clearance fund, and part of the agency fund within the state treasury fund structure.

Special Revenue -- To account for tax moneys collected from employers within the state and to account for money placed in trust for the state with the United States Treasury. In addition, penalty and interest payments received from employers on past-due tax assessments prior to transfer to the Federal

Fund is included in the trust fund. This fund includes the UI Benefit/Trust Fund programs. These funds are part of the agency fund within the State Treasury Fund structure. General Fixed Assets Account Group -- To account for fixed assets and equipment purchased by ESD and related depreciation and debt accounts. These funds would be accounted for in the Property Accountability Management System (PAMS) within the Statewide Budgeting and Accounting System.

General Long -Term Debt Account Group -- ESD currently is indebted on two long-term bond issues, a long term note and a loan from the Unemployment Trust Fund. The proceeds of the bonds and notes were used to finance construction of the addition to the headquarters building and various local offices. The following paragraphs describe the obligations:

- A. ESD had \$809,373 bonds payable to the State of Montana Public Employees' Retirement System at September 30, 1980. \$891,000 of these bonds were originally issued in June 1972 and \$499,000 were issued in June 1973 for a total of \$1,390,000. The bonds had an 8-3/4 percent interest rate until fiscal year 1973-74. The rate was then reduced to eight percent for the remaining term of the bonds. Presently the annual payment of the bonds is \$176,270, and the issue will be retired in 1988. The \$176,270 payments are made by ESD from funds provided by the federal government.
- B. ESD has a \$237,000 note payable to the Montana Unemployment Insurance Trust Fund at September 30, 1980. This note was issued in July 1973, bears no interest and is to be repaid by ESD when the bond described in paragraph A is retired. The source of funds to retire this note is the same as for the above-described bond issue.
- C. ESD has a \$224,777 note payable to its penalty and interest program at September 30, 1980. This note was issued in June 1972, bears no interest and is to be repaid by ESD when the bond and note previously described have been retired. The federal government will provide the funds to retire this note.

- D. ESD has \$1,230,000 payable to Montana's Long Range Building Program for the portion of their May 1980 bond issue applicable to ESD construction of a local office in Bozeman and an addition to the Kalispell office. Payments of \$110,000 per year will commence in fiscal year 1981 and tentatively conclude in fiscal year 1996. The interest is at a rate of 7.0481 percent. The payments required will be made by ESD from funds provided by the federal government.
- E. ESD had a loan totalling \$7,084,089 from the Federal Unemployment Trust Fund as of September 30, 1980. This loan was received during fiscal years 1975-76 and 1976-77. The loan must be repaid within two years of the date received. It does not bear interest. If not repaid within two years, the United States Department of Labor may reduce the Federal Unemployment Tax Credit, which state employers currently receive, and use the proceeds to repay the loan. The state may apply for a deferral of the reduction of the federal tax credit if the state unemployment tax structure meets U.S. Department of Labor requirements. These requirements are designed to ensure that the state will be able to repay the loan from future employer taxes. The loan was repaid in full in November 1980.

b) Basis of Accounting

ESD maintains its accounts on the modified accrual basis of accounting. Modified accrual is defined as "that method of accounting in which expenditures are recorded on the basis of legal liability and revenues are recorded when measurable and available." At the end of each month, all legal liabilities against an appropriation are accrued as expenditures.

c) Inventories

Inventories are expensed when purchased. No asset is recognized.

d) Allowance for Doubtful Accounts

ESD maintains accounts receivable on a fully reserved basis, offset by a corresponding amount in an allowance for doubtful accounts. The revenue is not recognized until cash is measurable and available.

ESD considers current accounts as collectible and suspended accounts as uncollectible.

e) Depreciation Method

In accordance with federal guidelines, ESD computes depreciation monthly using the straight-line method of depreciation for all depreciable assets. Assets are considered to have no residual value. The major property groups and their related depreciable lives are as follows:

Buildings	45 years
Land Improvements	20 years
Office Furniture & Fixtures	20 years
Office Equipment	10 years
Automotive Equipment	3 years

f) Fiscal Year

The Financial Statements are presented for the fiscal years October 1 through September 30 to coincide with the federal fiscal period. The last audit of ESD was through the period ending June 30, 1977. Since the federal fiscal year ends September 30, it was necessary to present the period July 1, 1977 through September 30, 1977. The Combined Balance Sheets and Combined Statements of Revenues and Expenditures for Fiscal Year Ending September 30, 1977 reflect July-September 1977 activities only.

2. RETIREMENT PLAN

ESD participates in the Public Employees' Retirement System which covers substantially all division employees. For fiscal years 1977-78, 1978-79 and 1979-80 ESD's contributory share was 6.2 percent of employees' salaries and wages, with employees contributing 6 percent to the plan each fiscal year.

The retirement plan expenses for fiscal years 1977-78, 1978-79, and 1979-80 were \$480,868, \$517,359, and \$558,169, respectively.

The state's policy is to fund accrued pension costs. At June 30, 1980, the Public Employees' Retirement System was determined to be actuarially sound. The unfunded past service costs and the actuarially computed value of vested benefits were not available for members of the plan employed by the division.

3. ANNUAL AND SICK LEAVE

Annual leave and sick leave costs are not recorded until leave is taken. At termination, employees receive payment for 100 percent of unused vacation and 25 percent of unused sick leave. Although this commitment is not presented on the balance sheet as a liability, ESD's general ledger balances for accrued annual leave were \$618,808, \$596,823, \$584,419, and \$667,070 as of September 30, 1977, 1978, 1979 and 1980, respectively. ESD does not maintain records indicating the dollar amount of liability for accrued sick leave, and that amount is not readily determinable.

4. CASH OVERDRAWN

The \$476,228 shown as "Cash Overdrawn" represents a negative cash balance in the Regular Unemployment Insurance Bank account. To comply with federal regulations, U.I. benefits are to be claimed and paid, by warrant, prior to procuring a Letter of Credit drawdown from the U.S. Treasury.

This allows ESD to drawdown an amount approximate to that expended, leaving the maximum amount in the U.S. Treasury to draw interest.

5. DUE TO FUNDING SOURCE

This account normally represents ESD's liability to the federal government for money received but not yet expended. Amounts received but not expended at the completion of a program revert to the federal government.

6. DUE FROM FUNDING SOURCE

Expenditures made by ESD prior to the receipt of the federal funding are 'Due From' at September 30, 1980.

7. LEASED PREMISES

Presently, ESD leases 25 buildings throughout the state for local offices, WIN and CETA centers, and two Casual Labor Offices. All lease payments are made monthly with the lowest payment currently being \$160 and the highest \$4,667. Total yearly payments for all leased buildings was \$263,844 for fiscal year 1979-80.

The following schedule lists future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms:

Year Ending September 30:

1981	\$ 59,451
1982	22,442
1983	-0-
Total minimum payments required	<u>\$ 81,893</u>

8. ACCOUNTS RECEIVABLE

Accounts receivable shown on the accompanying balance sheet have not been recorded as revenue and are fully reserved by the Employment Security Division. As much as 31 percent of employer contributions receivable may be uncollectible.

9. OTHER EQUIPMENT

"Other Equipment" shown on the accompanying balance sheet includes \$61,198 of equipment purchased by the Employment and Training Administration in September 1979. Although ESD has possession and use of this equipment, the title remains with ETA. Accumulated depreciation associated with this equipment and included on the balance sheet is \$22,099.

10. BUDGET INFORMATION

General Fund

The division utilizes a fixed annual basis of budgeting. Under the fixed annual method, appropriations of specific dollar amount are set for each fiscal year by the U.S. Congress. ESD submits detailed budget requests to the U.S. Department of Labor. These are incorporated into the overall Department of Labor budget.

When the budget is approved, the division receives obligational authority for each program for each fiscal year. The established obligational authority (appropriation) controls the division's financial operations during the fiscal year. At the end of each fiscal year unobligated cash in the division's programs reverts to the federal government. The Balance

Sheet item "Due Funding Source" represents the accumulated balance at each fiscal year end.

Requests for changes in a program's level of obligational authority are submitted to the regional office of the U.S. Department of Labor. The requests are approved or denied based upon available funding.

Special Revenue Fund

The state of Montana has adopted a financial plan to maintain the Unemployment Compensation Fund. The legislature establishes parameters relating to revenues and expenditures of the fund.

The division utilizes a flexible annual basis of budgeting. Under the flexible annual method, revenue and expenditure dollar estimates vary according to the demand for unemployment benefits.

Revenue represents collections of the unemployment compensation tax. The Montana Legislature sets parameters for the tax rate to be charged an employer and for the taxable wage base. The tax rate charged each employer may vary from year to year, based upon employment experience.

Expenditures represent payments of unemployment benefits to eligible claimants. The Montana Legislature establishes the benefit eligibility criteria and the parameters for the weekly dollar amount to be paid to an eligible claimant. Total benefits paid during the fiscal year vary according to the level of unemployment within the state.

11. CHANGE IN ACCOUNTING FOR PENALTY AND INTEREST

Prior to January 1981 penalty and interest payments collected from employers were deposited in the Due Administration for Penalty and Interest account. The money was deposited in the Special Revenue Fund, payable to the General Fund. In 1979 the law changed allowing penalty and interest collections to be deposited and accounted for in the Special Revenue Fund. ESD began accounting for Penalty and Interest collections in the Special Revenue Fund in fiscal year 1980. A valid obligation in the Special Revenue Fund no longer exists.

SUPPLEMENTAL SCHEDULES

DEPARTMENT OF LABOR AND INDUSTRY
EMPLOYMENT SECURITY DIVISION
SCHEDULE OF QUESTIONED COSTS

Included below by program, are those instances where unsupported transfers of expenses between programs were made during the audit period (see page 20.)

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Program</u>	<u>Total</u> <u>Questioned</u> <u>Amount</u>
	<u>Unsupported Transfers</u>	
9/30/77	92057 - E.S. Grants	\$ 1,881
	Total-FYE 9/30/77	<u>\$ 1,881</u>
	<u>Unsupported Transfers</u>	
9/30/78	92058 - E.S. Grants	\$ 4,778
	92528 - WIN Local Project	<u>599</u>
	Total-FYE 9/30/78	<u>\$ 5,377</u>
	<u>Unsupported Transfers</u>	
9/30/79	92059 - E.S. Grants	\$25,649
	Total-FYE 9/30/79	<u>\$25,649</u>
	<u>Unsupported Transfers</u>	
9/30/80	91540 - CETA III CMI	\$ 160
	92050 - E.S. Grants	<u>3,543</u>
	Total-FYE 9/30/80	<u>\$ 3,703</u>

DEPARTMENT OF LABOR AND INDUSTRY
EMPLOYMENT SECURITY DIVISION
SUPPLEMENTAL BALANCE SHEET OF GENERAL LEDGER - ACCOUNT 90000
SEPTEMBER 30, 1977

ACCOUNT
NUMBER

ASSETS

100	Imprest Fund	\$ 1,600
101	Cash on Deposit	244,397
107	Travel Revolving	5,448
109	Employee Advances	2,276
140	Prepaid Expense - CETA Mail	685
141	Prepaid Expense - Commsr. Budget	<u>-0-</u>
	TOTAL ASSETS	<u>\$254,406</u>

LIABILITIES

200	Accounts Payable - Vendors	\$138,697
220	Cash Advance for Appropriations	(395,098)
240	Accrued State Retirement	26,826
241	Accrued OASI	25,902
242	Accrued Workers Compensation	872
244	Accrued Group Insurance	5,284
245	Accrued Unemployment Insurance	451
250	Accrued Payroll	<u>451,472</u>
	TOTAL LIABILITIES	<u>\$254,406</u>

DEPARTMENT OF LABOR AND INDUSTRY
EMPLOYMENT SECURITY DIVISION
SUPPLEMENTAL BALANCE SHEET OF PROPERTY LEDGER - ACCOUNT 99999
SEPTEMBER 30, 1977

ACCOUNT
NUMBER

ASSETS

150	Land	\$ 227,642
151	Land Improvements	4,958
161	Accumulated Depreciation, Land Imp.	(1,938)
152	Buildings	3,281,188
162	Accumulated Depreciation, Buildings	(582,685)
153	Office Furniture & Fixtures	262,578
163	Accumulated Depreciation, Office Furn. & Fix.	(137,269)
154	Office Equipment	598,944
164	Accumulated Depreciation, Office Equipment	(341,855)
155	Other Equipment	120,415
165	Accumulated Depreciation, Other Equipment	<u>(79,111)</u>
	TOTAL ASSETS	<u>\$3,352,867</u>

LIABILITIES & INVESTMENT

	LIABILITIES	
280	Long Term Liabilities	\$1,673,565
	INVESTMENT	
390	Fund Investment	<u>\$1,679,302</u>
	TOTAL LIABILITIES & INVESTMENT	<u>\$3,352,867</u>

DEPARTMENT OF LABOR AND INDUSTRY
EMPLOYMENT SECURITY DIVISION
SUPPLEMENTAL BALANCE SHEET OF GENERAL LEDGER - ACCOUNT 90000
FISCAL YEAR ENDING SEPTEMBER, 1978

ACCOUNT
NUMBER

ASSETS

100	Imprest Fund	\$ 1,600
101	Cash on Deposit	723,163
107	Travel Revolving	6,351
109	Employee Advances	2,214
140	Prepaid Expense - CETA Mail	2,095
141	Prepaid Expense - Commsr. Budget	<u>-0-</u>
	TOTAL ASSETS	<u>\$735,423</u>

LIABILITIES

200	Account Payable - Vendors	\$191,297
220	Cash Advance for Appropriations	7,563
240	Accrued State Retirement	29,034
241	Accrued OASI	27,804
242	Accrued Workers Compensation	1,058
244	Accrued Group Insurance	13,058
245	Accrued Unemployment Insurance	1,405
250	Accrued Payroll	<u>464,204</u>
	TOTAL LIABILITIES	<u>\$735,423</u>

DEPARTMENT OF LABOR AND INDUSTRY
EMPLOYMENT SECURITY DIVISION
SUPPLEMENTAL BALANCE SHEET OF PROPERTY LEDGER - ACCOUNT 99999
FISCAL YEAR ENDING SEPTEMBER 30, 1978

ACCOUNT
NUMBER

ASSETS

150	Land	\$ 196,680
151	Land Improvements	4,958
161	Accumulated Depreciation, Land Imp.	(2,186)
152	Buildings	2,872,225
162	Accumulated Depreciation, Buildings	(646,250)
153	Office Furniture & Fixtures	271,587
163	Accumulated Depreciation, Office Furn. & Fix.	(147,628)
154	Office Equipment	1,025,374
164	Accumulated Depreciation, Office Equipment	(427,540)
155	Other Equipment	118,514
165	Accumulated Depreciation, Other Equipment	(90,804)

TOTAL ASSETS \$3,174,930

LIABILITIES & INVESTMENT

	LIABILITIES	
280	Long Term Liabilities	\$1,539,037
	INVESTMENT	
390	Fund Investment	<u>1,635,893</u>

TOTAL LIABILITIES & INVESTMENT \$3,174,930

DEPARTMENT OF LABOR AND INDUSTRY
EMPLOYMENT SECURITY DIVISION
SUPPLEMENTAL BALANCE SHEET OF GENERAL LEDGER - ACCOUNT 90000
SEPTEMBER 30, 1979

ACCOUNT
NUMBER

ASSETS

100	Imprest Fund	\$ 1,100
101	Cash on Deposit	283,432
107	Travel Revolving	5,643
109	Employee Advances	1,564
140	Prepaid Expense - CETA Mail	1,199
141	Prepaid Expense - Commsr. Budget	<u>14,978</u>
	TOTAL ASSETS	<u>\$307,916</u>

LIABILITIES

200	Accounts Payable - Vendors	\$301,737
220	Cash Advance for Appropriations	(598,109)
240	Accrued State Retirement	31,737
241	Accrued OASI	31,216
242	Accrued Workers Compensation	1,110
244	Accrued Group Insurance	20,220
245	Accrued Unemployment Insurance	3,579
250	Accrued Payroll	<u>516,426</u>
	TOTAL LIABILITIES	<u>\$307,916</u>

DEPARTMENT OF LABOR AND INDUSTRY
EMPLOYMENT SECURITY DIVISION
SUPPLEMENTAL BALANCE SHEET OF PROPERTY LEDGER - ACCOUNT 99999
SEPTEMBER 30, 1979

ACCOUNT
NUMBER

ASSETS

150	Land	\$ 461,827
151	Land Improvements	4,958
161	Accumulated Depreciation, Land Imp.	(2,434)
152	Buildings	2,850,789
162	Accumulated Depreciation, Buildings	(703,792)
153	Office Furniture & Fixtures	277,983
163	Accumulated Depreciation, Office Furniture & Fixtures	(148,011)
154	Office Equipment	1,067,910
164	Accumulated Depreciation, Office Equipment	(465,510)
155	Other Equipment	118,515
165	Accumulated Depreciation, Other Equipment	(103,419)
	TOTAL ASSETS	<u>\$3,358,816</u>

LIABILITIES & INVESTMENT

	LIABILITIES	
280	Long Term Liabilities	\$1,397,428
	INVESTMENT	
390	Fund Investment	<u>1,961,388</u>
	TOTAL LIABILITIES & INVESTMENT	<u>\$3,358,816</u>

DEPARTMENT OF LABOR AND INDUSTRY
EMPLOYMENT SECURITY DIVISION
SUPPLEMENTAL BALANCE SHEET OF GENERAL LEDGER - ACCOUNT 90000
SEPTEMBER 30, 1980

ACCOUNT
NUMBER

ASSETS

100	Imprest Fund	\$ 1,100
101	Cash on Deposit	266,571
107	Travel Revolving	7,026
109	Employee Advances	3,447
140	Prepaid Expense - CETA Mail	<u>1,159</u>
	TOTAL ASSETS	<u>\$279,303</u>

LIABILITIES

200	Accounts Payable - Vendors	\$293,184
220	Cash Advance for Appropriations	(318,079)
240	Accrued State Retirement	15,780
241	Accrued OASI	15,681
242	Accrued Workers' Compensation	502
244	Accrued Group Insurance	13,083
245	Accrued Unemployment Insurance	2,308
250	Accrued Payroll	<u>256,844</u>
	TOTAL LIABILITIES	<u>\$279,303</u>

DEPARTMENT OF LABOR AND INDUSTRY
EMPLOYMENT SECURITY DIVISION
SUPPLEMENTAL BALANCE SHEET OF PROPERTY LEDGER - ACCOUNT 99999
SEPTEMBER 30, 1980

ACCOUNT
NUMBER

ASSETS

150	Land	\$ 461,827
151	Land Improvements	4,958
161	Accumulated Depreciation, Land Improvements	(2,682)
152	Buildings	2,850,789
162	Accumulated Depreciation, Buildings	(773,673)
153	Office Furniture & Fixtures	355,874
163	Accumulated Depreciation, Office Furniture & Fixtures	(153,673)
154	Office Equipment	930,611
164	Accumulated Depreciation, Office Equipment	(425,027)
155	Other Equipment	191,124
165	Accumulated Depreciation, Other Equipment	(133,568)
156	Construction-in-Progress (Bond proceeds being held by A & E Department)	1,230,000
	TOTAL ASSETS	<u>\$4,536,560</u>

LIABILITIES AND INVESTMENT

	LIABILITIES	
280	Long-Term Liabilities	\$2,501,170
	INVESTMENT	
390	Fund Investment	<u>2,035,390</u>
	TOTAL LIABILITIES & INVESTMENT	<u>\$4,536,560</u>

DEPARTMENT OF LABOR AND INDUSTRY
EMPLOYMENT SECURITY DIVISION
SCHEDULE OF FINANCIAL POSITION
FISCAL YEAR ENDED SEPTEMBER 30, 1980

Fund Ledger Description	Obligational Authority	Prior Years Cash Receipts	Current Year Cash Receipts	Total Cash Receipts	Funds Available But Not Withdrawn
92295 UI-EB/FSB Federal Share	\$ 12,851,192	\$12,852,017	\$ (825)	\$ 12,851,192	
91506 WIN TAT	245,000	245,000	4,700	249,700	\$ - 5
92297 UI-FSB	970,438	970,884	(446)	970,438	
90788 JSIP Seminars	2,032	2,032		2,032	
91708 Trade Act CMA	19,786	19,786		19,786	
92058 E.S. Grants	3,864,273	3,864,964	(691)	3,864,273	
92108 U.I. Grants	4,247,737	4,247,717	(221)	4,247,496	441
93038 STIP	121,763	112,116	(8,651)	121,763	
93178 KIRE	159,657	421,000	(61,141)	159,657	
90999 CETA I Vet Outreach	107,285	99,285	8,000	107,285	
91109 CETA IV Job Corp	127,654	131,688	(4,034)	127,654	
91549 CETA TAT	1,400		1,400	1,400	
91659 CETA III LMI	65,800	64,000	1,800	65,800	
91709 TJTC	51,968	48,000	1,968	51,968	
91709 Trade Act CMA	121,514	44,000	15,500	79,500	42,014
92059 E.S. Grants	4,218,443	1,726,154	485,801	4,212,155	6,288
92109 U.I. Grants	4,295,900	1,840,000	471,524	4,101,524	(5,624)
92229 UCPE	1,675,690	1,689,229	(11,539)	1,675,690	
92249 UCX	1,028,743	1,053,950	(25,207)	1,028,743	
92269 TEA	1,148,009	1,152,089	(4,079)	1,148,010	(1)
92289 UCXP	61,164	64,500	(1,136)	63,164	
92309 SUA	16,828	19,150	(2,522)	16,828	
92329 UI CETA/PSE	1,187,446	1,210,258	(22,812)	1,187,446	
92519 WIN State Central	197,000	193,000	190,000	190,000	970
92529 WIN Local Project	1,531,678	1,020,471	16,801	1,057,232	474,446
92809 WIN Demo Project	45,565	43,000	2,565	45,565	
93109 Classroom Training	1,029,089	1,253,100	(224,011)	1,029,089	
93209 On-the-Job	388,324	442,000	(53,676)	388,324	
93049 STIP II	128,643	113,553	15,090	128,643	
93059 Basic Education	166,809	191,445	(24,636)	166,809	
93069 Native Talent Bank	5,450	3,750	1,700	5,450	
93079 Adult Work Experience	660,636	614,200	46,436	660,636	
93099 World of Work	344,714	400,836	(56,102)	344,714	
93109 Services to Participants	656,096	686,204	(10,108)	656,096	
93149 Montana Rural CETA CEP	1,369,375	1,171,000	(6,524)	1,366,476	4,859
93169 DPI VOC-ED	39,024	40,000	(977)	39,023	1
93269 PSE II D - AREA BOARD	180,760	344,000	(163,240)	180,760	
93279 PSE Title II	3,759,914	3,674,200	85,714	3,759,914	
93289 PSE Title VI	3,547,316	1,640,000	(92,684)	3,547,316	
93299 PSE Title VI Extension	3,253,524	2,840,000	411,524	3,253,524	
93359 YETP - CRT	53,678	78,000	(24,322)	53,678	
93409 YETP - OJT	25,862	31,000	(5,138)	25,862	
93819 Pre-apprenticeship	5,858	7,750	(1,892)	5,858	
93839 CETA YES Counselors	13,876		13,876	13,876	
96299 PSE Agency Contract	137,376	127,411	9,965	137,376	
96619 HOES	50,588	44,080	6,508	44,588	6,007
96629 SOIC		1,983	878	2,861	(2,861)
97009 UI Benefits	30,573,787	30,717,134	(143,348)	30,573,786	1
99859 Penalty & Interests	272,645	151,345	(78,700)	272,645	
91050 JSIP Team Building	450				450
91100 CETA IV Job Corps	161,691		156,713	156,713	4,978
91200 CETA IV JS Summer Youth					
91400 DVOP	95,857		98,857	98,857	(3,000)
91540 CETA III LMI	58,400		58,400	58,400	
91700 Trade Act CMA	80,000				80,000
91750 TJTC	121,422		121,000	121,000	422
92050 E.S. Grants	4,309,826		4,211,371	4,211,371	98,455
92100 U.I. Grants	4,330,365		4,090,000	4,090,000	240,365
92120 Food Stamps	180,690		180,690	180,690	
92220 UCPE	2,230,000		2,042,539	2,042,539	187,461
92240 UCX	1,552,000		1,468,207	1,468,207	83,793
92260 TEA	1,005,000		928,079	928,079	76,921
92280 UCXP	67,000		66,136	66,136	864
92290 UI-EB/FSB Federal Share	1,182,404		1,398,861	1,398,861	(216,457)
92300 SUA			2,522	2,522	(2,522)
92320 UI - PSE	1,066,000		1,030,812	1,030,812	35,188
92510 WIN State Central	187,000		187,000	187,000	
92520 WIN Local Project	1,085,799		999,199	999,199	86,600
92800 WIN DEMO Project	181,663		137,182	137,182	44,281
92820 Missoula Job Club	49,000		48,000	48,000	1,000
93010 CETA Classroom Training	1,200,960		885,653	885,653	315,307
93020 CETA OJT	530,588		244,875	244,875	285,713
93030 STIP	55,755		54,000	54,000	1,755
93050 CETA Basic Education	224,450		167,398	167,398	57,052
93060 CETA NATB	23,000		17,250	17,250	5,750
93070 CETA Adult Work Experience	780,226		641,000	641,000	139,226
93080 CETA Job Finding Club	35,592				35,592
93090 CETA World of Work	232,391		182,856	182,856	49,335
93100 CETA Services	2,188,756		1,880,646	1,880,646	308,110
93140 CETA CEP	1,613,636		1,583,000	1,583,000	30,636
93160 Governor's Special Grant	49,174		29,259	29,259	19,915
93270 CETA PSE Title II	4,011,899		3,688,240	3,688,240	323,659
93280 CETA PSE Title VI	1,506,508		1,641,396	1,641,396	(134,888)
93290 CETA PSE Title VI Extension	1,838,355		1,478,000	1,478,000	360,355
93350 YETP	136,629		91,960	91,960	44,669
93410 CETA Colstrip					
93830 CETA YES	23,451				23,451
96310 Union TAT	49,000		20,000	20,000	29,000
96380 Old West	30,712				30,712
96610 HOES	50,569		38,980	38,980	11,589
96700 NAPSIP	32,892		5,027	5,027	27,865
97000 UI Benefits	39,546,986		39,070,758	39,070,758	476,228
99850 Penalty & Interest	78,700		78,700	78,700	
TOTAL	\$157,418,085	\$84,113,136	\$69,618,573	\$153,731,709	\$3,686,376

NOTE: Total Contributions Received in FY'80

\$44,701,912

<u>Prior Years Expenditures</u>	<u>Current Year Expenditures</u>	<u>Total Expenditures</u>	<u>Resources On Order</u>	<u>Total Obligations</u>	<u>Ending Liability to Sponsor</u>	<u>Unobligated Balance</u>
\$12,851,192		\$ 12,851,192		\$ 12,851,192		
218,474	\$ 24,383	242,857	\$ 2,000	244,857	\$ 138	\$ 143
970,438		970,438		970,438		
2,032		2,032		2,032		
19,786		19,786		19,786		
3,864,273		3,864,273		3,864,273		
4,247,496		4,247,496		4,247,496		441
123,763		123,763		123,763		
360,428	(771)	359,657		359,657		
107,285		107,285		107,285		
126,873	781	127,654		127,654		
65,800	1,831	1,831		1,831	1,569	1,569
51,968		51,968		51,968		
40,836	30,681	71,517	21,346	92,863	(13,363)	28,651
4,108,025	105,619	4,213,644	4,631	4,218,275	(6,120)	168
4,124,959	170,090	4,295,049		4,295,049	6,475	851
1,675,690		1,675,690		1,675,690		
1,028,743		1,028,743		1,028,743		
1,148,009		1,148,009		1,148,009	1	
63,364		63,364		63,364		
16,828		16,828		16,828		
1,187,446		1,187,446		1,187,446		970
196,030		196,030		196,030		474,446
1,055,758	1,474	1,057,232		1,057,232		
45,565		45,565		45,565		
1,025,541	3,548	1,029,089		1,029,089		
392,170	(3,846)	388,324		388,324		
122,926	5,717	128,643		128,643		
166,150	658	166,808		166,808	1	1
5,450		5,450		5,450		
656,987	3,649	660,636		660,636		
347,066	(2,332)	344,734		344,734		
658,820	(2,724)	656,096		656,096		
1,362,435	2,041	1,364,476		1,364,476		4,859
39,136	(113)	39,023		39,023		1
185,653	(4,893)	180,760		180,760		
3,787,310	(27,396)	3,759,914		3,759,914		
3,539,937	7,379	3,547,316		3,547,316		
3,267,811	(14,287)	3,253,524		3,253,524		
53,299	379	53,678		53,678		
26,236	(374)	25,862		25,862		
5,858		5,858		5,858		
13,876		13,876		13,876		
140,717	(3,341)	137,376		137,376		
44,581		44,581		44,581		6,007
2,185	884	3,069		3,069	(208)	(3,069)
30,573,786		30,573,786		30,573,786		1
272,644		272,644		272,644	1	1
						450
	152,300	152,300	1,536	153,836	2,877	7,855
	95,857	95,857		95,857	3,000	1,395
	55,310	55,310	1,695	57,005	1,395	80,000
						2,419
	119,003	119,003		119,003	1,997	104
	4,191,583	4,191,583	118,139	4,309,722	(98,351)	(132,055)
	4,399,753	4,399,753	62,667	4,462,420	(372,420)	4,430
	176,260	176,260		176,260		3,578
	2,038,961	2,038,961		2,038,961	3,578	191,039
	1,458,696	1,458,696		1,458,696	9,511	93,304
	942,541	942,541		942,541	(14,462)	62,459
	65,205	65,205		65,205	931	1,795
	1,182,404	1,182,404		1,182,404	216,457	2,603
	(2,603)	(2,603)		(2,603)	5,125	43,368
	1,022,632	1,022,632		1,022,632	8,180	13,860
	173,140	173,140		173,140	13,860	115,729
	970,070	970,070		970,070	29,129	58,096
	123,367	123,367		123,367	13,815	7,211
	41,789	41,789		41,789	6,211	249,247
	951,713	951,713		951,713	(66,060)	55,605
	474,983	474,983		474,983	(230,108)	7,424
	48,331	48,331		48,331	5,669	55,722
	168,728	168,728		168,728	(1,330)	2,019
	20,981	20,981		20,981	(3,731)	174,669
	605,557	605,557		605,557	35,443	28,644
	6,948	6,948		6,948	(6,948)	30,622
	201,569	201,569		201,569	(18,713)	148,021
	1,978,880	1,978,880	\$ 61,855	2,040,735	(160,089)	67,581
	1,546,055	1,546,055		1,546,055	36,945	20,487
	28,687	28,687		28,687	572	90,507
	3,921,392	3,921,392		3,921,392	(233,152)	189,380
	1,317,128	1,317,128		1,317,128	324,268	451,895
	1,386,460	1,386,460		1,386,460	91,540	42,323
	94,306	94,306		94,306	(2,346)	6,205
	17,246	17,246		17,246		24,814
	40,153	40,153	8,847	49,000	(29,000)	5,163
	5,898	5,898		5,898	(5,898)	73,050
	50,569	50,569		50,569	(11,589)	
	27,729	27,729		27,729	(22,702)	
	39,546,986	39,546,986		39,546,986	(476,228)	
	5,650	5,650		5,650	73,050	
<u>\$84,391,635</u>	<u>\$69,951,254</u>	<u>\$154,342,889</u>	<u>\$282,716</u>	<u>\$154,625,605</u>	<u>\$(893,896)</u>	<u>\$2,792,480</u>

DEPARTMENT OF LABOR AND INDUSTRY
EMPLOYMENT SECURITY DIVISION
SCHEDULE OF FINANCIAL POSITION
FISCAL YEAR ENDED SEPTEMBER 30, 1979

Fund Ledger Description		Optional Authority	Prior Years Cash Receipts	Current Year Cash Receipts	Total Cash Receipts	Funds Available But Not Withdrawn
92295	UI-EB/FSB FED	\$ 12,851,763	\$12,903,663	\$ (51,646)	\$ 12,852,017	\$ (254)
91506	WIN TAT	245,000	212,000	28,295	240,295	4,705
91707	Trade Act CMA	72,844	68,000	4,844	72,844	
92107	UI Grants	3,650,166	3,653,000	(2,834)	3,650,166	
92297	UI-FSB	970,438	1,000,000	(29,116)	970,884	(446)
90788	JSIP Seminars	2,032		2,032	2,032	
90998	CETA I VET Outreach	75,420	76,000	(580)	75,420	
91058	Employer JSIP	28,700	19,000	9,700	28,700	
91108	CETA IV Job Corp	145,515	108,545	36,970	145,515	
91548	CETA III LMI	57,062	58,000	(938)	57,062	
91708	Trade Act CMA	19,786		19,786	19,786	
92058	ES Grants	3,865,446	3,674,964	190,000	3,864,964	482
92108	UI Grants	4,247,937	3,919,000	308,717	4,247,717	220
92128	Food Stamps	134,564	44,600	89,964	134,564	
92148	ESAP-ES	10,762	11,000	(238)	10,762	
92228	UCFE	1,791,771	1,797,000	(5,229)	1,791,771	
92248	UCX	1,021,049	1,029,000	(7,951)	1,021,049	
92268	TEA	1,438,911	1,459,000	(20,089)	1,438,911	
92288	UCXP	11,504	11,000	504	11,504	
92308	SUA	594,266	595,000	(734)	594,266	
92328	UI CETA/PSE	411,742	424,000	(12,258)	411,742	
92518	WIN State Central	5,684	150,000	5,684	5,684	
92528	WIN Local Project	1,365,075	983,000	382,075	1,365,075	292,229
93018	Classroom Training	1,550,885	1,341,812	97,458	1,439,270	111,615
93028	On-The-Job	650,556	586,000	23,224	609,224	41,332
93038	STIP	132,316	75,000	57,316	132,316	
93058	Basic Education	208,818	207,000	(1,047)	205,953	2,865
93068	Native Talent Bank	15,000		881	881	14,119
93078	Adult Work Exp	534,178	513,500	7,138	520,638	13,540
93098	World of Work	1,067,704	992,000	41,697	1,033,697	34,007
93148	MT RUL CETA CEP	1,154,834	1,165,308	(10,474)	1,154,834	
93168	DPI VOC-ED	49,100	35,477	12,355	47,832	1,268
93178	HIRE	399,819	140,000	281,000	421,000	(21,181)
93278	PSE Title II	3,668,829	3,552,480	116,349	3,668,829	
93288	PSE Title VI	6,714,754	6,278,022	436,732	6,714,754	
93298	PSE Title VI Ext	5,680,475	5,218,000	211,199	5,449,199	231,276
93358	YES	71,043	38,776	(22,256)	16,520	54,523
93408	YETP	54,855	8,577	8,652	8,652	46,203
96108	PSE Youth	50,593		2,614	11,191	39,402
96298	PSE Agency CON	57,027	958	36,158	37,116	19,911
96618	VOC-ED OPI	47,725	47,725		47,725	
97008	UI Benefits	28,057,810	28,194,182	(136,372)	28,057,810	
99858	Penalty & Interest	132,943	457,288	(324,345)	132,943	
90999	CETA I VET OR	107,285		99,285	99,285	8,000
91059	JSIP	12,500		12,500	12,500	
91109	CETA IV Job Corp	134,750		131,688	131,688	3,062
91539	CETA TAT	3,400				1,400
91549	CETA III LMI	65,800		64,000	64,000	1,800
91659	TJTC	51,968		48,000	48,000	3,968
91709	Trade Act CMA	121,514		44,000	44,000	77,514
92059	ES Grants	4,229,649		3,726,354	3,726,354	503,295
92109	UI Grants	4,308,965		1,830,000	3,830,000	478,965
92129	Food Stamps	134,564		134,564	134,564	
92229	UCFE	1,745,000		1,689,229	1,689,229	55,771
92249	UCX	1,050,000		1,053,951	1,053,951	(3,951)
92269	TEA	1,155,000		1,152,089	1,152,089	2,911
92289	UCXP	69,000		64,500	64,500	4,500
92309	SUA	19,000		19,350	19,350	(350)
92329	UI CETA/PSE	1,282,000		1,210,258	1,210,258	71,742
92519	WIN State Central	197,000		193,000	193,000	4,000
92529	WIN Local Project	1,531,678		1,020,431	1,020,431	511,247
92809	WIN Demo Project	206,292		43,000	43,000	163,292
92829	Hissoula Job Club	49,000				49,000
93019	Classroom TRNG	1,292,701		1,253,100	1,253,100	39,601
93029	On-The-Job	442,037		442,000	442,000	37
93049	STIP II	150,473		113,553	113,553	36,920
93059	Basic Ed	191,445		191,445	191,445	
93069	Native Talent Bank			3,750	3,750	(3,750)
93079	Adult Work Exp	642,278		614,200	614,200	28,078
93099	Work of Work	400,836		400,836	400,836	
93109	Services to Part	686,204		686,204	686,204	
93149	MT RUL CETA-CEP	1,537,253		1,371,000	1,371,000	166,253
93159	CETA CEP CECT	245,626		245,626	245,626	
93169	DPI D-AREA BD	40,000		40,000	40,000	
93269	PSE II D-AREA BD	898,300		344,000	344,000	554,300
93279	PSE Title II	5,747,970		3,674,200	3,674,200	2,073,770
93289	PSE Title VI	3,984,231		3,640,000	3,640,000	344,231
93299	PSE Title VI Ext	5,960,029		2,840,000	2,840,000	3,120,029
93359	YETP-CEP	73,763		78,000	78,000	(4,237)
93409	YETP-OJT	29,408		31,000	31,000	(1,592)
93819	Presapprenticeship	8,588		7,750	7,750	838
93839	CETA YES Counselors	15,000				15,000
96109	PSE Youth Contract					
96299	PSE Agency CON	169,487		127,411	127,411	42,076
96619	MOES	50,588		44,080	44,080	6,508
96629	SOLC			1,983	1,983	(1,983)
97009	UI Benefits	30,573,786		30,717,134	30,717,134	(143,348)
99859	Penalty & Interest	351,345		351,345	351,345	
Total		\$153,469,644	\$81,107,877	\$63,265,054	\$144,372,931	\$9,096,713

<u>Prior Period Expenditures</u>	<u>Current Period Expenditures</u>	<u>Total Expenditures</u>	<u>Resources On Order</u>	<u>Total Obligations</u>	<u>Ending Liability</u>	<u>Unobligated Balance</u>
\$12,854,621	\$ (3,429)	\$ 12,851,192		\$ 12,851,192	\$ 825	\$ 571
204,600	13,874	218,474	22,961	241,435	(1,140)	3,565
72,844		72,844		72,844		
3,624,552	25,614	3,650,166		3,650,166		
973,530	(3,092)	970,438		970,438	446	
	2,032	2,032		2,032		
75,420		75,420		75,420		
19,380	9,320	28,700		28,700		
102,344	43,171	145,515		145,515		
57,062		57,062		57,062		
	19,786	19,786		19,786		
3,770,288	93,985	3,864,273	1,173	3,865,446	(482)	
4,013,730	233,766	4,247,496	441	4,247,937	(220)	
134,564		134,564		134,564		
10,762		10,762		10,762		
1,791,771		1,791,771		1,791,771		
1,021,049		1,021,049		1,021,049		
1,438,911		1,438,911		1,438,911		
31,504		31,504		31,504		
594,266		594,266		594,266		
411,742		411,742		411,742		
2,980	2,704	5,684		5,684		
167,230		167,230		167,230		
1,072,846		1,072,846		1,072,846		292,229
1,439,179	91	1,439,270		1,439,270		111,615
602,573	6,651	609,224		609,224		41,332
59,831	63,932	123,763		123,763	8,553	8,553
205,704	249	205,953		205,953		2,865
881		881		881		14,119
521,132	(494)	520,638		520,638		13,540
1,038,048	(4,351)	1,033,697		1,033,697		34,007
1,157,492	(2,658)	1,154,834		1,154,834		
52,526	(4,694)	47,832		47,832		1,268
66,679	293,749	360,428	9,884	370,312	50,688	29,507
3,648,199	20,630	3,668,829		3,668,829		
6,667,429	47,325	6,714,754		6,714,754		
5,529,832	(80,633)	5,449,199		5,449,199		231,276
16,419	101	16,520		16,520		54,523
8,689	(37)	8,652	(366)	8,286	366	46,569
11,191		11,191		11,191		39,402
43,650	(6,534)	37,116		37,116		19,911
47,725		47,725		47,725		
28,057,810		28,057,810		28,057,810		
132,943		132,943		132,943		
	107,285	107,285		107,285	(8,000)	
	12,500	12,500		12,500		7,095
	126,873	126,873	782	127,655	4,033	3,400
	65,800	65,800		65,800	(1,800)	
	51,968	51,968		51,968	(3,968)	
	40,836	40,836		40,836	3,164	80,678
	4,108,025	4,108,025	121,000	4,229,025	(502,671)	624
	4,124,955	4,124,955	183,154	4,308,109	(478,109)	856
	134,564	134,564		134,564		
	1,675,690	1,675,690		1,675,690	13,539	69,310
	1,028,743	1,028,743		1,028,743	25,208	21,257
	1,148,009	1,148,009		1,148,009	4,080	6,991
	63,364	63,364		63,364	1,136	5,636
	16,828	16,828		16,828	2,522	2,172
	1,187,446	1,187,446		1,187,446	22,812	94,554
	196,030	196,030		196,030	(3,030)	970
	1,055,758	1,055,758	31,741	1,087,499	(67,068)	444,179
	45,565	45,565	856	46,421	(3,421)	159,871
						49,000
	1,025,541	1,025,541	559	1,026,100	227,000	266,601
	392,170	392,170	148,792	540,962	(98,962)	(98,925)
	122,926	122,926	833	123,759	(10,206)	26,714
	166,150	166,150		166,150	25,295	25,295
	5,450	5,450		5,450	(1,700)	(5,450)
	656,987	656,987		656,987	(42,787)	(14,709)
	347,066	347,066		347,066	53,770	53,770
	658,820	658,820		658,820	27,384	27,384
	1,362,435	1,362,435	28,046	1,390,481	(19,481)	146,772
	245,626	245,626		245,626		
	39,137	39,137		39,137	863	863
	185,653	185,653		185,653	158,347	712,647
	3,787,310	3,787,310	24,784	3,812,094	(137,894)	1,935,876
	3,539,937	3,539,937		3,539,937	100,063	444,294
	3,267,811	3,267,811		3,267,811	(427,811)	2,692,218
	53,299	53,299		53,299	24,701	20,464
	26,236	26,236	25,717	51,953	(20,953)	(22,545)
	5,858	5,858		5,858	1,892	2,730
	13,876	13,876		13,876	(13,876)	1,124
	140,717	140,717		140,717	(13,306)	28,770
	44,581	44,581		44,581	(501)	6,007
	2,185	2,185		2,185	(202)	(2,185)
	30,573,786	30,573,786		30,573,786	143,348	
	272,644	272,644		272,644	78,701	78,701
<u>\$81,753,928</u>	<u>\$62,897,498</u>	<u>\$144,651,426</u>	<u>\$600,357</u>	<u>\$145,251,783</u>	<u>\$ (878,852)</u>	<u>\$8,217,861</u>

DEPARTMENT OF LABOR AND INDUSTRY
EMPLOYMENT SECURITY DIVISION
SCHEDULE OF FINANCIAL POSITION
FISCAL YEAR ENDED SEPTEMBER 30, 1978

Fund Ledger Description	Obligational Authority	Prior Years Cash Receipts	Current Year Cash Receipts	Total Cash Receipts	Funds Available But Not Withdrawn
91530 CETA III TAT	\$ 4,286	\$ 6,330	\$ (2,044)	\$ 4,286	
91700 CETA III TRADE	35,000		15,000	35,000	
92295 UI-EB/FSB FED	12,854,620	11,803,663	1,100,000	12,903,663	\$ (49,043)
91506 WIN TAT	245,000	140,000	72,000	212,000	31,000
92096 ES SUPP	10,971	8,718	2,213	10,971	
96616 VOC-ED OIP	45,250	25,401	14,229	39,610	5,620
96636 SIC CONVERT	9,918	8,993	925	9,918	
90997 CETA I VET OUT	42,130	37,000	5,130	42,130	
91057 EMPLOYER JSIP	7,500		7,500	7,500	
91107 CETA IV JB COR	163,080	128,000	35,080	163,080	
91547 CETA III LMI	52,600	44,000	8,600	52,600	
91707 CETA III TRADE	74,835	47,000	21,000	68,000	6,835
92057 ES GRANTS	3,732,889	3,433,110	299,779	3,732,889	
92107 UI GRANTS	3,653,317	3,108,000	545,000	3,653,000	317
92127 FOOD STAMPS	55,034	55,000	34	55,034	
92147 ESAP-ES	14,454	15,000	(546)	14,454	
92227 ECFE 1-YEAR	2,262,039	2,257,349	4,690	2,262,039	
92247 UCX 1-YEAR	1,562,173	1,566,290	(4,117)	1,562,173	
92267 TEA 1-YEAR	1,005,645	999,500	6,145	1,005,645	
92287 UCXP 1-YEAR	35,132	37,348	(2,216)	35,132	
92297 UI-EB/FSB FED	973,531	975,000	25,000	1,000,000	(26,469)
92307 SUA	1,236,002	1,219,513	16,489	1,236,002	
92517 WIN STATE CENT	163,344	186,984	(23,640)	163,344	
92527 WIN LOCAL PROJECT	1,100,328	978,951	121,377	1,100,328	
93017 CLASSROOM TRAINING	1,646,315	1,184,126	(20,005)	1,164,121	482,194
93027 OJT TRAINING	563,371	491,541	52,515	544,056	19,315
93057 BASIC EDUCATION	194,692	171,000	(25,902)	145,098	49,594
93077 ADULT WORK EXP	389,403	277,500	18,274	295,774	93,629
93097 SVC TD CLIENTS	752,165	561,000	37,672	598,672	153,493
93147 MT RUL CETA CE	1,082,585	970,352	112,233	1,082,585	
93167 DPI VOC-ED	41,300	22,041	12,358	34,399	6,901
93277 PUB SRV EMP II	4,337,326	4,210,560	(72,562)	4,137,998	199,328
94387 CETA PSE VI	4,708,242	4,475,000	227,695	4,702,695	5,547
93297 CETA VI EXTENS	1,758,052	1,305,000	99,310	1,404,310	353,742
96297 PSE AGENCY CON	202,568	11,952	129,230	141,182	61,386
97007 UI BENEFITS	29,401,985	28,843,001	558,984	29,401,985	
90918 MIGRANT OUTR	9,449		9,449		
90998 CETA I VET OUT	82,159		76,000	76,000	6,159
91058 EMPLOYER JSIP	28,700		19,000	19,000	9,700
91108 CETA IV JOB COR	145,515		108,545	108,545	36,970
91538 CETA III TAT	701		701	701	
91548 CETA III LMI	62,300		58,000	58,000	4,300
92058 ES GRANTS	3,867,238		3,674,964	3,674,964	192,274
92108 UI GRANTS	4,248,717		3,939,000	3,939,000	309,717
92128 FOOD STAMPS	134,564		44,600	44,600	89,964
92148 ESAP-ES	15,090		11,000	11,000	4,090
92228 UCXE 1-YEAR	1,791,771		1,797,000	1,797,000	(5,229)
92248 UCX 1-YEAR	1,021,049		1,029,000	1,029,000	(7,951)
92268 TEA 1-YEAR	1,438,911		1,459,000	1,459,000	(20,089)
92288 UCXP 1-YEAR	31,504		31,000	31,000	504
92308 SUA	594,266		595,000	595,000	(734)
92328 UI CETA/PSE	411,742		424,000	424,000	(12,258)
92378 DUA	10,000				10,000
92518 WIN STATE CENT	167,230		150,000	150,000	17,230
92528 WIN LOCAL PROJ	1,365,075		983,000	983,000	382,075
93018 CLASSROOM TRAI	1,550,885		1,341,812	1,341,812	209,073
93028 OJT TRAINING	650,556		586,000	586,000	64,556
93038 STIP	80,662		75,000	75,000	5,662
93058 BASIC EDUCATION	208,818		207,000	207,000	1,818
93068 NOT IN CAOB TA	15,000				15,000
93078 ADULT WORK EXP	534,178		513,500	513,500	20,678
93098 SVC TD CLIENTS	1,067,704		992,000	992,000	75,704
93148 MT RUL CETA CE	1,350,566		1,165,308	1,165,308	185,258
93158 CETA CEP GETC	282,000		282,000	282,000	
93168 DPI VOC-ED	49,100		35,476	35,476	13,624
93178 HIRE	432,812		140,000	140,000	292,812
93278 PUB SERV EMP II	3,666,284		3,552,480	3,552,480	113,804
93288 CETA PSE VI	6,637,467		6,278,022	6,278,022	359,445
93298 CETA VI EXTENS	6,213,103		5,238,000	5,238,000	975,103
93358 YETP CRT	71,043		38,776	38,776	32,267
93408 YETP OJT	54,855				54,855
96108 PSE YOUTH	50,593		8,576	8,576	42,017
96298 PSE AGENCY CON	57,027		958	958	56,069
96618 VOC-ED OIP	47,725		47,725	47,725	
97008 UI BENEFITS	27,304,644		27,441,016	27,441,016	(136,372)
99858 PENALTY & INTEREST	171,252		171,252	171,252	
TOTAL	<u>\$140,339,337</u>	<u>\$69,604,243</u>	<u>\$65,941,610</u>	<u>\$135,545,853</u>	<u>\$6,793,484</u>

Prior Years Expenditures	Current Year Expenditures	Total Expenditures	Resources On Order	Total Obligations	Ending Liability to Sponsor	Unobligated Balance
\$ 4,268	\$ 18	\$ 4,286		\$ 4,286		
	35,000	35,000		35,000		
12,091,835	762,785	12,854,620		12,854,620	\$ 49,043	
116,063	88,537	204,600		204,600	7,400	\$ 40,400
10,971		10,971		10,971		
39,630		39,630		39,630		5,620
7,143	2,775	9,918		9,918		
36,252	5,878	42,130		42,130		
	7,500	7,500		7,500		
129,228	33,852	163,080		163,080		
44,786	7,814	52,600		52,600		
57,856	14,988	72,844		72,844	(4,844)	1,991
3,707,050	25,839	3,732,889		3,732,889		
3,416,542	208,010	3,624,552	\$ 25,614	3,650,166	2,834	3,151
55,034		55,034		55,034		
14,454		14,454		14,454		
2,262,039		2,262,039		2,262,039		
1,562,173		1,562,173		1,562,173		
1,005,645		1,005,645		1,005,645		
35,132		35,132		35,132		
963,447	10,084	973,531		973,531	26,469	
1,236,002		1,236,002		1,236,002		
163,344		163,344		163,344		
1,078,997	21,331	1,100,328		1,100,328		
1,190,523	(26,402)	1,164,121		1,164,121		482,194
544,056		544,056		544,056		19,315
145,964	(866)	145,098		145,098		49,594
295,809	(35)	295,774		295,774		93,629
592,215	6,457	598,672		598,672		153,493
1,037,740	44,845	1,082,585		1,082,585		
32,877	1,522	34,399		34,399		6,901
\$ 4,203,216	(65,218)	4,137,998		4,137,998		199,328
4,702,695		4,702,695		4,702,695		5,547
1,502,196	(97,886)	1,404,310		1,404,310		353,742
24,041	117,141	141,182		141,182		61,386
29,401,985		29,401,985		29,401,985		
	9,449	9,449		9,449		
	75,420	75,420		75,420	580	6,739
	19,380	19,380	9,320	28,700	(9,700)	
	102,344	102,344	4,909	107,253	1,292	38,262
	701	701		701		
	57,062	57,062		57,062	938	5,238
	3,770,288	3,770,288	95,158	3,865,446	(190,482)	1,792
	4,013,730	4,013,730	234,423	4,248,153	(309,153)	564
	134,564	134,564		134,564	(89,964)	
	10,762	10,762		10,762	238	4,328
	1,791,771	1,791,771		1,791,771	5,229	
	1,021,049	1,021,049		1,021,049	7,951	
	1,438,911	1,438,911		1,438,911	20,089	
	31,504	31,504		31,504	(504)	
	594,266	594,266		594,266	734	
	411,742	411,742		411,742	12,258	
	2,980	2,980		2,980	(2,980)	7,020
	167,230	167,230		167,230	(17,230)	
	1,072,846	1,072,846	29,700	1,102,546	(119,546)	262,529
	1,439,178	1,439,178	12,285	1,451,463	(109,651)	99,422
	602,573	602,573	58,914	661,487	(75,487)	(10,931)
	59,831	59,831		59,831	15,169	20,831
	205,704	205,704		205,704	1,296	3,114
	881	881		881	(881)	14,119
	521,132	521,132		521,132	(7,632)	13,046
	1,038,048	1,038,048		1,038,048	(46,048)	29,656
	1,157,492	1,157,492	14,887	1,172,379	(7,071)	178,187
	282,000	282,000		282,000		
	52,526	52,526		52,526	(17,049)	(3,425)
	66,679	66,679	160,444	227,123	(87,123)	205,689
	3,648,200	3,648,200		3,648,200	(95,720)	18,084
	6,667,429	6,667,429		6,667,429	(389,407)	(29,962)
	5,529,832	5,529,832		5,529,832	(291,832)	683,271
	16,419	16,419		16,419	22,357	54,624
	8,689	8,689	3,692	12,381	(12,381)	42,474
	11,191	11,191		11,191	(2,615)	39,402
	43,650	43,650		43,650	(42,692)	13,377
	47,725	47,725		47,725		
	28,057,810	28,057,810		28,057,810	(616,793)	(753,165)
	132,943	132,943		132,943	38,309	38,309
<u>\$71,711,208</u>	<u>\$65,519,900</u>	<u>\$137,231,108</u>	<u>\$649,346</u>	<u>\$137,880,454</u>	<u>\$(2,334,599)</u>	<u>\$2,458,885</u>

DEPARTMENT OF LABOR AND INDUSTRY
EMPLOYMENT SECURITY DIVISION
SCHEDULE OF FINANCIAL POSITION
QUARTER ENDED SEPTEMBER 30, 1977

Fund Ledger Description	Obligational Authority	Prior Period Cash Receipts	Current Period Cash Receipts	Total Cash Receipts	Funds Available But Not Withdrawn
92295 UI-EB/FSB Federal Share	\$ 12,091,835	\$12,131,014	\$ 217,649	\$12,348,663	\$(256,828)
90916 Migrant Outreach	3,000		3,000	3,000	
91100 Job Corps	35,510	35,510		35,510	
91106 Job Corps	149,900	149,900		149,900	
91506 WIN T.A.T.	245,000	96,500	41,500	140,000	105,000
91530 CETA III T.A.T.	6,330	6,330		6,330	
91546 CETA LMI	57,540	57,540		57,540	
91706 Trade Act CMA	140,630	44,000	3,000	47,000	93,630
92120 Food Stamps	7,052	7,052		7,052	
96306 Waste Water	11,895	11,895		11,895	
96616 Voc Ed OIP	45,250	25,401		25,401	19,849
96636 SIC Conversion	6,150	4,500	4,493	8,993	(2,843)
92050 Grants E.S.	909,055	909,055		909,055	
92056 Grants E.S.	3,246,848	3,243,304	1,544	3,246,848	
92090 E.S. Supplemental	22,091	22,091		22,091	
92100 Grants U.I.	869,364	869,364		869,364	
92106 Grants U.I.	2,920,328	2,920,328		2,920,328	
92130 U.I. Supplemental	61,566	61,566		61,566	
92220 UCFE	230,417	230,417		230,417	
92240 UCX	436,405	436,405		436,405	
92260 TEA	453,887	453,887		453,887	
92280 UCX-Postal	27,652	27,652		27,652	
92300 SUA	324,456	324,456		324,456	
92510 WIN Central	37,550	37,550		37,550	
92516 WIN Central	124,079	124,079		124,079	
92520 WIN Local	247,427	247,427		247,427	
92526 WIN Local	793,549	793,549		793,549	
93016 CETA Classroom Training	1,178,677	1,178,677		1,178,677	
93026 CETA OJT	595,039	595,039		595,039	
93146 Mt. Rural CETA CEP	1,033,288	1,033,288		1,033,288	
93236 CETA CIP	858,248	858,248		858,248	
93256 CETA PSC I	944,700	944,700		944,700	
93276 CETA PSC II	3,175,851	3,175,851		3,175,851	
93286 CETA PSC VI	7,563,535	7,563,535		7,563,535	
90997 CETA I DVOP	42,130	10,000	27,000	37,000	5,130
91107 Job Corps	150,535	96,000	32,000	128,000	22,535
91537 CETA III T.A.T.	156		156	156	
91547 CETA LMI	52,600	30,000	14,000	44,000	8,600
92127 Food Stamps	59,564	30,000	25,000	55,000	4,564
97007 UI Benefits	29,126,404	23,828,167	5,213,000	29,041,167	85,237
99857 P & I	283,154	276,217	18,653	294,870	(11,716)
91057 Employer JSIP	7,500			7,500	
92057 Grants E.S.	3,707,689	2,497,010	910,900	3,407,910	299,779
92096 E.S. Supplemental	11,251	8,458	280	8,738	2,513
92107 Grants U.I.	3,653,317	2,248,000	860,000	3,108,000	545,317
92136 U.I. Supplemental	361,819	361,819		361,819	
92147 E.S.A.P. - E.S.	21,560	15,000		15,000	6,560
96157 J.S.I.P.	25,200	8,000		25,200	
92227 UCFE	2,262,039	2,061,349	196,000	2,257,349	4,690
92247 UCX	1,562,173	1,268,290	298,000	1,566,290	(4,117)
92267 TEA	1,005,645	922,500	77,000	999,500	6,145
92287 UCX-Postal	35,132	35,348	2,000	37,348	(2,216)
92307 SUA	1,236,002	1,152,513	67,000	1,219,513	16,489
92297 EB/FSB	963,447	530,000	445,000	975,000	(11,553)
92517 WIN Central	161,000	100,984	86,000	186,984	(25,984)
92527 WIN Local	1,092,750	714,783	264,169	978,952	113,798
93017 CETA Classroom Training	1,646,315	912,631	271,495	1,184,126	462,189
93027 CETA OJT	563,371	268,541	223,000	491,541	71,830
93057 CETA Basic Ed	194,692	107,500	63,500	171,000	23,692
93077 CETA Adult W/E	389,403	184,000	93,500	277,500	111,903
93097 CETA Sus to Clients	752,165	380,500	180,500	561,000	191,165
93147 Mt Rural CETA CEP	1,081,385	647,352	323,000	970,352	111,033
93157 CETA GETC	282,000	282,000		282,000	
93167 CETA Voc Ed	41,300				41,300
93277 CETA PSE II	4,337,326	3,642,560	568,000	4,210,560	126,766
93287 CETA PSE VI	4,708,242	3,065,000	1,410,000	4,475,000	233,242
93297 CETA PSE VI A	1,758,052	310,000	995,000	1,305,000	453,052
96297 PSE Agency Contr.			11,952	11,952	(11,952)
Totals	\$100,429,422	\$84,614,632	\$12,968,491	\$97,583,123	\$2,846,299

Prior Period Expenditures	Current Period Expenditures	Total Expenditures	Resources On Order	Total Obligations	Ending Liability	Unobligated Balance
\$11,904,213	\$ 187,622	\$ 12,091,835		\$ 12,091,835	\$ 256,828	\$
	3,000	3,000		3,000		
35,510		35,510		35,510		
149,900		149,900		149,900		
114,345	13,718	128,063		128,063	11,937	116,937
4,260	8	4,268		4,268	2,062	2,062
57,540		57,540		57,540		
51,888	5,968	57,856		57,856	(10,856)	82,774
7,052		7,052		7,052		
11,895		11,895		11,895		
22,733	16,897	39,630		39,630	(14,229)	5,620
7,143		7,143		7,143	1,850	(993)
909,055		909,055		909,055		
3,246,848		3,246,848		3,246,848		
22,091		22,091		22,091		
869,364		869,364		869,364		
2,920,328		2,920,328		2,920,328		
61,566		61,566		61,566		
230,417		230,417		230,417		
436,405		436,405		436,405		
453,887		453,887		453,887		
27,652		27,652		27,652		
324,456		324,456		324,456		
37,550		37,550		37,550		
124,079		124,079		124,079		
247,427		247,427		247,427		
793,549		793,549		793,549		
1,178,677		1,178,677		1,178,677		
595,039		595,039		595,039		
1,033,288		1,033,288		1,033,288		
858,248		858,248		858,248		
944,700		944,700		944,700		
3,175,851		3,175,851		3,175,851		
7,563,535		7,563,535		7,563,535		
16,579	19,673	36,252		36,252	748	5,878
92,957	36,271	129,228		129,228	(1,228)	21,307
	156	156		156		
28,656	16,130	44,786		44,786	(786)	7,814
40,049	14,985	55,034		55,034	(34)	4,530
24,320,480	5,081,505	29,401,985		29,401,985	(360,818)	(275,581)
2,475	6,358	8,833	538	9,371	285,499	273,783
						7,500
2,658,703	1,048,347	3,707,050	413	3,707,463	(299,553)	226
8,458	2,513	10,971		10,971	(2,233)	280
2,472,641	943,901	3,416,542	243,000	3,659,542	(551,542)	(6,225)
361,819		361,819		361,819		
11,279	3,175	14,454		14,454	546	7,106
12,746	10,390	23,136	2,064	25,200		
2,063,056	198,983	2,262,039		2,262,039	(4,690)	
1,285,400	276,773	1,562,173		1,562,173	4,117	
926,502	79,143	1,005,645		1,005,645	(6,145)	
34,545	587	35,132		35,132	2,216	
1,149,265	86,737	1,236,002		1,236,002	(16,489)	
513,361	450,086	963,447		963,447	11,553	
121,514	41,831	163,345		163,345	23,639	(2,345)
806,720	272,277	1,078,997	21,331	1,100,328	(121,376)	(7,578)
866,704	323,819	1,190,523	160	1,190,683	(6,557)	455,632
354,215	189,841	544,056	142,544	686,600	(195,059)	(123,229)
91,004	54,961	145,965		145,965	25,035	48,727
174,852	120,957	295,809		295,809	(18,309)	93,594
398,376	193,839	592,215		592,215	(31,215)	159,950
773,710	284,132	1,057,842	12,668	1,070,510	(100,158)	10,875
282,000		282,000		282,000		
30,940	10,837	41,777		41,777	(41,777)	(477)
3,761,708	659,590	4,421,298		4,421,298	(210,738)	(83,972)
3,758,471	1,847,586	5,606,057		5,606,057	(1,131,057)	(897,815)
753,744	1,225,699	1,979,443		1,979,443	(674,443)	(221,391)
	24,042	24,042		24,042	(12,090)	(24,042)
<u>\$86,593,420</u>	<u>\$13,752,337</u>	<u>\$100,345,757</u>	<u>\$422,718</u>	<u>\$100,768,475</u>	<u>\$ (3,185,352)</u>	<u>\$ (339,053)</u>

NOTES TO SCHEDULES

1. These financial schedules are prepared from Report 79 of the State Employment Security Agency System (SESA).
2. Some of the programs listed show a negative amount in the "Unobligated Balance" column. The SESA system reflects obligational authority for the current fiscal year only not the program duration. In most instances the programs listed have obtained the authority to obligate funds for the next fiscal year during the current fiscal year. This authority is not currently reflected on Report 69.

Obligational Authority is not received for UI Benefits or Penalty and Interest. These amounts were not properly updated to reflect current activity.

AGENCY REPLY



State of Montana
Dept. of Labor & Industry

**Employment
Security
Division**

P.O. Box 1728 • Helena, Montana 59601
Phone (406) 449-2511

June 10, 1981

Mr. Jim Gillett
Legislative Auditor
State Capitol, Room 135
Helena, Montana 59601

RECEIVED

JUL 16 1981

MONTANA LEGISLATIVE AUDITOR

Dear Jim:

Attached please find the response of the Employment Security Division to the audit recommendations found in the Report on the Examination of the Financial Statements, Quarter Ended September 30, 1977 and the Fiscal Years Ended September 30, 1978, 1979, and 1980.

We will be happy to discuss the contents of our response or any portion of the audit report as you may desire.

Sincerely,

FRED BARRETT, Administrator
Employment Security Division
Department of Labor and Industry

FB/sb
Attachment

RECOMMENDATIONS AND EMPLOYMENT SECURITY DIVISION RESPONSE

1. A. Concur

B. Concur

We agree with the comment that improvement in the process is needed and that an evaluation is in order.

2. Concur, to the extent that resources to accomplish interstate claimant cross-match are made available. The states are working with the Employment and Training Administration to develop a pilot program testing the efficacy of such a cross-match. The agency will certainly be kept informed on the results.

3. Concur

Legislation has been prepared to be introduced at the next session clarifying monetary eligibility.

4. Concur

The Employment Security Division has always made an effort to charge the proper benefit program. We will review our functions in light of the audit and try to see that none of the programs are improperly charged.

5. Concur

Our review of audit findings concerning unsigned UI-203's indicates that the division does not issue benefit checks without adequate certification. The exceptions which were discovered involved interstate claims in which case we have a signed IB2 in place of the signed 203 and TRA in which case we have a signed 203 for unemployment insurance benefits since TRA and UI benefits are usually drawn at the same time.

6. Concur

The Employment Security Division will require a listing by check number of those checks applied to overpayment, and those checks voided or pulled for any other reason.

7. A. Concur

B. Concur

8. A. Partially Concur

An alternate plan has been tested in event of disaster at the RJE station. It involves "over-the-counter" production at the central data center. The test of a disaster plan should the central data center be lost would involve thousands of dollars expenditure. Ultimately, claimants could be paid in cash (based upon local office claim record cards) during an extended outage.

B. Concur

We will strive to improve existing review procedures in line with recommendations.

9. A. Concur

Present security measures will be improved to accomplish recommended results.

B. Concur

10. Concur

We agree that there should be controls outside the CICS system to prevent unauthorized access to the tax files. We are continually attempting to update the tax computer system and welcome suggestions such as the variety of logic test that could be incorporated into the program, to strengthen present manual input and verification.

11. Partially Concur

The changes to programs noted in the report were made prior to the implementation of the user/technical approval process in July, 1978. We do admit that the documentation (user manual) has not been updated with those pre-1978 changes. The changes, from a processing standpoint, are flagged as local changes and fully comprehensible to programming personnel.

12. Concur

The division plans to look into the establishment of adequate controls in the benefit application.

13. Concur

Verbal approval had been received prior to transfer. Regional Office has indicated they would give us approval in writing.

14. Partially Concur

- A. The Employment Security Division is providing training to and has improved supervision of the accounts receivable function.
- B. The combined wage claim function has been completely overhauled since transferring all accounts receivable operations under one supervisor. Quarterly billings are currently being made. As soon as the ADP system is in place, monthly billings will occur.
- C. All UI accounts receivable contributions due and benefit overpayments are being referred to the Department of Revenue for collection. We are currently reviewing the statutes concerning collection to determine the authority for collecting federal funds. Some thought should be given to increase staffing for Department of Revenue so that they may adequately perform this mandated activity.

As far as CETA/WIN accounts, a number of contacts have been made to the Department of Revenue by the CETA/WIN Payment Unit in regards to this matter. The most recent contact was by our present CETA/WIN Payments Unit Supervisor and a representative of the Department of Revenue. It was of the opinion of the Collection Unit of the Department of Revenue that since CETA/WIN funds are federal monies, and the Montana Regulations state, "the Department of Revenue is authorized to collect debts owing to the State of Montana", the Department of Revenue collection service is authorized only to collect state monies. Therefore, the transferring of CETA/WIN accounts receivable would not be feasible, unless some sort of arrangement results from on-going discussions.

15. Concur

- (1) The subsidiary records of accounts receivable are a part of the employer accounts on data processing and a list of accounts receivable by employer account is provided monthly.
- (2) When we were correcting and adjusting the accounts receivable, it was necessary to estimate the accounts receivable and because of the number of errors in the system, it was necessary to periodically adjust the general ledger control. However, now that the accounts receivable have been cleaned up, these periodic adjustments are no longer necessary.
- (3) Refer to recommendation 14 C. UI benefit overpayments are being referred to the Department of Revenue on a regular basis.
- (4) Checks received to pay accounts receivable are no longer being held more than one day.

